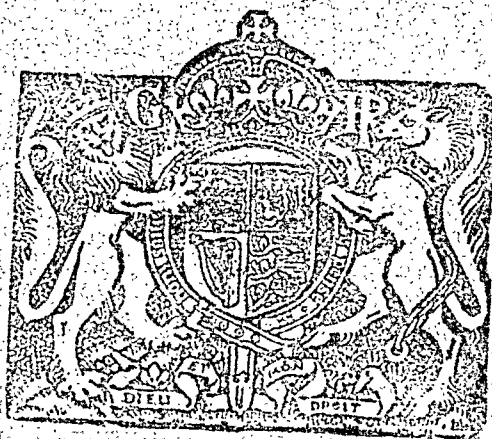


Public Accounts Committee

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1926-27

Volume I—Report



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
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COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS CONSTITUTED FOR THE YEAR 1928-29.

In the previous year the eight elected members of the Committee on Public Accounts were :

Mr. S. C. Mitra.
Mr. H. G. Cocke.
Maulvi Abdul Matin Chaudhury.
Mr. B. Das.
Mr. K. C. Neogy.
Mr. A. Rangaswami Iyengar.
Maulvi Sayyid Murtuza Sahib Bahadur.
Mr. C. S. Ranga Iyer.

2. Out of these the following four members were declared, under rule 51 (4) of the Indian Legislative Rules, to have retired from the Committee on the expiry of one year from the date of their election :—

Mr. H. G. Cocke.
Mr. B. Das.
Mr. A. Rangaswami Iyengar.
Maulvi Sayyid Murtuza Sahib Bahadur.

3. The following motion was made by the Honourable Sir Basil Blackett in the Legislative Assembly on the 21st March 1928 and adopted by the House :—

“ That the non-official members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, four members to be members of the Committee on Public Accounts in place of the four members who have retired in accordance with sub-rule (4) of the same rule.”

4. In pursuance of this, the under-mentioned members were elected by the House :—

Mr. T. A. K. Shervani.
Mr. B. Das.
Haji Chowdhury Muhammad Ismail Khan.
Rao Bahadur M. C. Rajah.

5. The following members were nominated by the Governor General under rule 51 (2) of the Indian Legislative Rules :—

Lt.-Col. H. A. J. Gidney.
Mr. W. Alexander.
Khan Bahadur Mian Abdul Aziz.

6. Under rule 51 (5) of these rules the Finance Member is the Chairman of the Committee.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1926-27.

I.—Excess Votes.

The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :—

General
Summary.

(In lakhs of rupees.)

	Original grant.	Supple- mentary grant.	Final grant.	Actual expenditure.
Expenditure charged to Revenue ..	1,06,31	3,62	1,09,93	1,03,47
Expenditure charged to Capital ..	28,21	1,47	29,68	28,86
Total expenditure ..	1,34,52	5,09	1,39,61	1,32,33
Disbursements of Loans and Advances ..	10,09	5	10,14	8,50
GRAND TOTAL ..	1,44,61	5,14	1,49,75	1,40,83

2. The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :—

(In lakhs of rupees.)

	Original appropriation.	Supple- mentary appropriation.	Final appropriation.	Actual expenditure.
Expenditure charged to Revenue ..	1,14,59	1,20	1,15,79	1,15,66
Expenditure charged to Capital ..	3,86	6	3,92	2,80
Total Expenditure ..	1,18,45	1,26	1,19,71	1,18,46

3. If the total voted and non-voted expenditure is taken, the position is as follows :—

(In lakhs of rupees.)

	Original Grant.	Final grant.	Actual expenditure.
Expenditure charged to Revenue ..	2,20,90	2,25,72	2,19,13
Expenditure charged to Capital ..	32,07	33,60	31,66
Total expenditure ..	2,52,97	2,59,32	2,50,79
Disbursements of Loans and Advances	10,09	10,14	8,50
GRAND TOTAL ..	2,63,06	2,69,46	2,59,29

Savings.

4. It will be seen that against grants aggregating 2,69·46 crores the actual expenditure was 2,59·29 crores—a saving of 10·17 crores or 3·8 per cent. against a saving of 17·85 crores or 6·7 per cent. in 1925-26. The savings may be roughly distributed as follows :—

(In crores of rupees.)

Railway expenditure charged to Revenue ..	..	4·75
Railway expenditure charged to Capital ..	..	1·01
Disbursements of Loans and Advances ..	..	1·64
Other Items .. ..	..	2·77
Total ..	..	10·17

The savings in Railway expenditure charged to Revenue include 1·22 crores under “ Appropriation to the Railway Reserve Fund ”, which is really a balancing entry. Even so, the figures generally show a considerable improvement over the position disclosed in last year’s Report.

5. The percentages of savings in the final grants for 1926-27 and in the two preceding years are given below for purposes of comparison :—

	1924-25.	1925-26.	1926-27.
Expenditure charged to Revenue ..	4·1	3·0	2·9
Expenditure charged to Capital ..	51·7	15·5	5·8
Total expenditure ..	10·5	4·6	3·3
Grand Total, including Loans and Advances.	10·8	6·7	3·8

These figures bring out clearly the extent of improvement which has occurred in the estimating under the various heads taken as a whole—a feature which was noticed by Sir Basil Blackett in his Budget speech of the 29th February 1928, when he dealt with the comparatively small variation between the revised estimates and the net outturn of the year 1926-27.

6. The following table compares the percentage of savings under voted grants with that of the savings in non-voted appropriations :—

1926-27.			Voted.	Non-voted.
Expenditure charged to Revenue	..	..	5.9	0.1
Expenditure charged to Capital	..	..	2.8	28.6
Total expenditure	..	..	5.2	1.0
1925-26.				
Total expenditure	..	..	7.8	1.4

7. Here again we are gratified to see that, compared with the previous year, the results are more satisfactory. It is true that the percentage of savings under voted grants still continues to be larger than that under non-voted appropriations. This point was dealt with in last year's Report, and we understand that the Finance Department take care to see that deliberate over-estimation is scrupulously avoided. An important reason for the variation in the percentages is the fact that, in the case of voted expenditure, the grant voted by the Assembly is not affected by surrenders made by disbursing officers, whereas in the case of non-voted appropriations, surrenders accepted by the Finance Department are taken into account in working out the final appropriations with which the expenditure is compared in the Appropriation Accounts. Further, in accordance with the procedure recently adopted, allocation from the Reserve at the disposal of the Finance Department to meet expenditure under another voted head is not to be allowed to infringe the doctrine that expenditure in excess of a voted grant can be regularised only by a vote of the Assembly, so that supplementary demands for such expenditure have to be obtained from the Assembly. The same is the position in regard to "new services not contemplated in the Budget", even though the expenditure on such services can be met by re-appropriation. We are informed that steps are being taken with a view to amending the Indian Legislative Rules in order to enable token votes to be obtained in cases of this type instead of votes for the full amount of the expenditure involved. This revised procedure should help to reduce the variation in the percentages to some extent. It is interesting, in this connection, to observe that the savings in the aggregate *original* grants for voted expenditure charged to Revenue and Capital in 1926-27 amounted to 1.6 per cent. only. Q.2.

8. In the following cases the actual expenditure exceeds the voted Excess grants and an excess vote of the Assembly is accordingly required :—

Item No.	Number of grant.	Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
		<i>Civil.</i>	Rs.	Rs.	Rs.
1.	20	Stamps	1,69,000	2,58,127	89,127
2	26	Interest on Miscellaneous Obligations.	23,96,000	24,70,283	74,283
3	28	Executive Council ..	62,000	1,04,501	42,501

Item No.	Number of grant.	Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
			Rs.	Rs.	Rs.
4	62	Emigration—Internal ..	45,000	46,045	1,045
5	64	Joint Stock Companies ..	1,35,000	1,38,364	3,364
6	70	Superannuation Allowances and Pensions.	37,06,000	37,34,594	28,594
7	72	Miscellaneous	3,03,42,000	3,08,64,571	5,22,571
8	..	Census .. ..	..	1,991	1,991
9	85-A.	Capital Outlay on Currency Note Printing Press.	8,31,000	8,35,839	4,839
10	90	Commutated value of Pensions	20,00,000	22,87,124	2,87,124
11	92	Interest free Advances ..	1,02,85,000	1,07,10,746	4,25,746
		<i>Railways.</i>			
12	1	Revenue—Railway Board	9,68,000	10,50,000	82,000
13	6	Revenue—Companies' and Indian States' share of surplus profits and net earnings.	1,61,30,000	1,65,56,000	4,26,000
14	7	Capital—New constructions	6,45,07,000	6,58,08,000	13,01,000
15	8	Capital—Open Line Works	19,98,81,000	20,10,46,000	11,65,000

9. A brief explanation of each excess is given below :—

Q. 733.

Item 1.—The excess was the result of a number of different incidents, including the omission to provide for the cost of carriage of stamps in estimating the recoveries from the Posts and Telegraphs Department, a decision to charge for stamps at rates based on the cost of production at Nasik instead of at the rates at which they could have been obtained from England, and a discrepancy between the receipts from Provincial Governments estimated in the Central Budget and the corresponding payments estimated by the Provincial Governments themselves. We have been informed that instructions have been issued with a view to preventing the recurrence of omissions and discrepancies of this kind. The net excess in the grant as a whole is practically represented by the loss on the working of the Security Printing Press, which started work for the first time in the year 1926-27 and expects to wipe out the loss in the very near future.

Q. 867.

Item 2.—The entire excess in this case is explained by larger payments to the Post Office for Savings Bank and Cash Certificate work, which were calculated with reference mainly to

the number of transactions and number of accounts, and these increased towards the close of the year more rapidly than anticipated.

Item 3.—The entire excess in this case occurred under the sub-head "Tour expenses". We have been told that, as desired by Q. 804. the Committee of last year, instructions have since been issued with a view to making more systematic attempts during the course of the year to evaluate the cost of probable tours.

Items 4 and 5.—The excesses in these two cases are not considerable, and, as a matter of fact, allotments were made from the Reserve at the disposal of the Finance Department to meet them. According to the principle formally accepted only in Q. 840. May 1927, supplementary grants should have been obtained. But the need for these allotments did not become evident until after supplementary demands had been presented to the Assembly in February 1927. We consider that every effort should be made to include all supplementary demands in the list placed before the Legislative Assembly in the ordinary course about the month of February and that demands which cannot be so included should be presented separately later on, before the close of the year, when a question of principle is involved. In these two cases, however, such a question was not involved.

Item 6.—It is difficult to estimate this expenditure accurately. The excess of net voted expenditure is only .8 per cent. of the net Q. 871. grant. The expenditure is watched by the Audit officers themselves and is distributed over all Provinces.

Item 7.—The excess under this grant is more than accounted for by Q. 874. the larger amount which was available for transfer, and was transferred, to the Revenue Reserve Fund. The operation is a purely balancing entry in the accounts, the amount of the entry being the net revenue surplus of the year set apart in order to enable the Provincial contributions to be completely extinguished in the year 1927-28. We are told that, as a matter of fact, the variation between the estimated and actual revenue surplus in 1926-27 was the smallest on record for a considerable number of years.

Item 8.—Here too, the excess is very small and represents a payment of arrears of municipal tax in respect of the office buildings of the Superintendent of Census Operations, Madras. There was no original grant at all under this head and the payment was a purely casual one, to meet which an allotment had been made from the Reserve at the disposal of the Finance Department. But a supplementary grant was not obtained from the Assembly as it should have been in accordance with the revised procedure—*vide* remarks against items 4 and 5 above.

Item 9.—The excess of voted expenditure here is only .6 per cent. of Q. 875. the grant, and could hardly have been foreseen. This is an instance of very close budgeting.

Item 10.—1926-27 was the first year in which commutations of pension began to be charged to capital. It was explained that Q. 877.

the circumstances were such that it was impossible to estimate, with any degree of accuracy, either the expenditure under the grant as a whole or its distribution between voted and non-voted. The excess in the voted grant is more than made up by the savings in the non-voted appropriation.

Q. 878.

Item 11.—In this case the excess was due to larger shipments of nickel for disposal than was assumed in the Budget. The nickel is surplus to the Government of India's requirements, and the contract under which it is sold will expire in December 1928.

Item 12.—The reason for the excess in this case is that certain printing and stationery charges, debitable to Committees, has been booked under this grant instead of under Grant No. 11—an error in accounting.

Item 13.—The excess is mainly the result of the fact that, contrary to past practice, the net earnings of the Nagda Muttra Section, payable to a certain Indian State for the half-year ending the 30th September 1926, came in for adjustment after the close of the year in the accounts which were still open. We have been informed that action is being taken to set the procedure on a uniform basis in order that such a contingency may not arise in future.

Q. 157.

Items 14 and 15.—The excesses in these two grants amount to 2 per cent. and 6 per cent. respectively. These are in striking contrast to the very large savings which were a feature of previous years—a difficulty to meet which the system of over-allotments was introduced. These excesses are an indication that the system has had its use and should be watched very carefully in operation.

10. The total number of voted grants in which there has been an excess is 15, and the total amount requiring the vote of the Assembly is Rs. 44,55,185. These figures compare favourably with those for 1925-26, viz., 18 grants with an aggregate excess of Rs. 66,38,704.

11. It will be clear from the above analysis that, except in the case of items 14 and 15 where the excesses have resulted from the policy of over-allotment deliberately adopted, the increases were small and unavoidable in certain cases while, in others, the requisite action has already been taken. The comments in the Appropriation Accounts and those of the Auditor General indicate, however, that notwithstanding the improvement noticeable all round and brought out in the preceding paragraphs, there is still considerable room for improvement in the methods of estimating in certain directions, as also in the control of expenditure. Particularly is this the case in the Railway Department, where it was admitted that the budgetary arrangements—especially on one of the Railways—are not satisfactory. We understand that the report of the special officer deputed to investigate the system of preparing budget estimates by State-worked Railways is expected in the Department very shortly, and that its consideration is likely to lead to better results in future. We have also been told by the Financial Secretary that steps are being taken in his Department to strengthen the superior staff in order that there may be time and machinery for correlating the Appropriation Accounts with the original estimates and for systematic efforts to improve methods of estimating and we look forward to

Qs. 155 & 313.

Q. 831.

seeing in future years a more extended use of lump cuts coupled with a decrease in the number of excess votes that have to be obtained from the Assembly.

12. We desire to reiterate, however, certain principles which have been recommended in the past by our predecessors and accepted by the Government of India, or have otherwise been well-established, and take the opportunity of indicating certain other principles that follow therefrom, having regard to the facts brought out in the course of our scrutiny of the Appropriation Accounts for 1926-27 :—

Principles
to be
followed in
estimating.

- (1) No changes in classification should ordinarily be made during the course of a year, which will have the effect of accounting for expenditure under a head other than that in which funds have been provided for it. We would like to make it clear that this principle relates not only to major heads of account, but also to demands for grants and the sub-heads in the various grants. Q. 500.
- (2) Budget provision must be made under the head against which the expenditure ought eventually to be recorded. This again applies to demands and sub-heads as well as to major heads of account. Q. 882.
- (3) Undischarged liabilities should be carefully evaluated and provided for as may be necessary. In this connection, we would emphasise the importance of making a suitable allowance in the estimates for unrealised assets as well. App. XIII-26.
- (4) The system of lump cuts should be extended judiciously, particularly under " Establishments " and " Works Expenditure ". It should not be forgotten at the same time that the system of over-allotment, which has been adopted extensively on the railway side for some time and has begun to make itself felt, should be jealously watched in order that it may not give rise to occasions for applying to the Assembly for supplementary or excess grants. Q. 882.
- (5) Re-appropriations from anticipated savings are permissible in principle, but care should be taken to see that there is a reasonable prospect of the savings materialising, and also that, whenever such re-appropriations are made, a specific reduction should be made under the head in respect of which savings are anticipated, though a certain amount of discretion may be allowed for the present, in this connection, to the Financial Commissioner, Railways, in view of the peculiar circumstances in which he has to work. Care should also be taken to see that the actual expenditure does not exceed the reduced appropriation. App. XIII-17.
- (6) It is essential, if the controlling officers are to fulfil efficiently their responsibility for financial control, that their figures should agree with those of the Accounts officers. We would emphasise the fact that it is for the Controlling officers to prove to the latter, before the accounts of the year are finally Q. 835.

closed, that their own figures are correct in order that the discrepancies may be settled before the Appropriation Accounts are prepared.

**Excess
votes.**

13. With these remarks we recommend that the Assembly assent to the excess grants for 1926-27, which the Governor-General in Council will place before them, for the following sums in respect of the heads referred to in paragraph 8 above :—

		Rs.
Expenditure charged to Revenue ..	..	12,71,476
Expenditure charged to Capital ..	..	27,57,963
Disbursements of Loans and Advances ..	..	4,25,746
		<hr/>
Total ..	..	44,55,185
		<hr/>

**Irregular
Reappropriations.**

14. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every re-appropriation from one grant to another grant ; every re-appropriation within a grant, which is not made in accordance with such rules as may be prescribed by the Finance Department ; and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no re-appropriations falling under these categories during the year : nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure.

**Lump cuts
in Revised
estimates.**

Q. 78.

15. Before turning from this aspect of the Appropriation Accounts, we would refer to an interesting suggestion made by the Accountant-General, Posts and Telegraphs, in paragraph 45 of his Report. With reference to certain lump cuts made by the Finance Department in the revised estimates, he remarks that they were all absolutely justified in the event, but that the reduction should have been carried down to the detailed heads. We have given careful consideration to the suggestion and have come to the conclusion that, in view of the fact that the final revised estimate is not built up from below and is settled late in the year, the further distribution of lump cuts, which are already being made under sub-heads, would be impracticable and would confer no appreciable advantage. Under the arrangements now in force, revised estimates do not represent modified appropriations, and there is no obligation on subordinate authorities to work up to such estimates. In the circumstances, we are of opinion that it is unnecessary to pursue the matter.

II.—Comments on matters outstanding from previous Reports.

**Discussion
of Report in
Assembly.**

Q. 7.

16. Our predecessors recommended last year that Government should consider the best method of giving effect to the strong desire expressed in the Assembly that the House should be given an opportunity to discuss in general terms the report of the Public Accounts Committee on which the excess grants were based. We have been informed that efforts made by Government in this direction proved infructuous but

that steps are being taken, in connection with the deliberations of the Statutory Commission, to provide a constitutional procedure which would meet the wishes of the committee in the matter. We desire, however, to reaffirm the recommendation made last year and to suggest that the Government of India should reconsider the matter without waiting for the deliberations of the Statutory Commission.

17. Our predecessors also recommended that the financial position and prospects as well as other aspects of the whole of the scheme of salt supply from the Sambhar lake and Khewra should be comprehensively examined and put on a business footing at a very early date. We have discussed the whole question at some length. We are assured that various reforms and economies have recently been introduced in the working of the Northern India Salt Revenue Department as a result of a close investigation conducted by an officer on special duty working directly under the Central Board of Revenue ; that, in consultation with the Audit Officer, new arrangements have been devised to enable a real control over expenditure to be exercised ; that the old policy of manufacturing the maximum amount of salt irrespective of the volume of demand has been replaced by a new policy of working up to a definite output every year based on ascertained demand and existing stocks ; that some portions of the ambitious development schemes approved by the Standing Finance Committee as early as 1922 have been abandoned and that, by these and other means, definite efforts have been made to improve administratively and financially the system of salt supply in the Department. We have also been assured that the possibility of further economies and improvements is receiving the unremitting attention of the Central Board of Revenue. Seeing that the accounts have been commercialised and that future Appropriation Accounts will show the cost price of salt at its source in accordance with the recommendation which we make elsewhere, it will be possible for future Committees to judge how far the hopes expressed are really justified by the results and it will be open to them to suggest, if necessary, that Government should re-examine the whole situation in order to see whether any measures cannot be taken to make production more economical. In the circumstances, we are of the opinion that no further action is necessary on our part at the moment.

18. We now turn to the recommendation of the Committee of last year that as the generating plant at Sambhar is in operation only during a year of scanty rainfall and then only for about six weeks, the Central Board of Revenue should examine whether some other method of supplying the power cannot be devised, the present electric power house being dismantled. We have considered the memorandum (Appendix VI) presented by the Board on this question as also Mr. Pitkeathly's report (Appendix VII) on the same subject. These documents show that it would be undesirable to jettison the power house and replace it by a system of separate prime movers, etc. The electric scheme was deliberately introduced after careful consideration by the expert advisers of Government to replace a similar scheme in which pumps were driven by separate engines and we feel that we cannot take the responsibility, at this stage, of advising Government to change over now to an alternative which might involve further expenditure. We desire at the same time that Government should take necessary action on the lines of the specific recommendations made in paragraph 10 of Mr. Pitkeathly's report and should so administer the whole undertaking as to reduce the cost of production as far as possible. We hope that it

Sambhar
and Khewra
Salt
Schemes.

Q. 736.

Sambhar
Electrifica-
tion Scheme.

Q. 739.

will be possible for such reductions to be made : In any case, the remarks in the penultimate sentence of the previous paragraph hold good in this specific case also. We further consider, in regard to important schemes of development generally, that careful attention should be paid by the authorities concerned, when the schemes are taken up, to their anticipated effect upon the cost of production, having regard to any probable limitations that may exist upon the extent to which output can be usefully expanded.

**Khowra
Electrifica-
tion Scheme.**

Q. 389. 19. The Committee of last year thought that it was too early then to judge whether, considered from the economical aspect and with due regard to the displacement of labour involved, this scheme had turned out to be a success and they accordingly left it to their successors to obtain from the Central Board of Revenue a full memorandum on its working. We have obtained and considered that memorandum (Appendix V) and find that, as commercial accounting has only recently been introduced it is not possible to draw any inferences which can be regarded as at all conclusive in regard to the financial effect of the scheme. We are gratified to hear that the electrification providentially proved most helpful in connection with the recent subsidence and we were informed that steam or oil engines could not have been obtained promptly or, when obtained, moved readily from place to place as emergency arose. We have no desire at this stage to explore the remote past but would content ourselves with repeating the general recommendation contained in the last sentence of the preceding paragraph.

**Important
outstanding
items.**

20. We shall now proceed to refer briefly to the more important items in previous reports, the disposal of which is in various stages of progress. We recommend that in each case the disposal should be expedited as far as it is possible to do so :—

Q. 859. (1) *Contracts*.—The Government of India have accepted the general principles recommended by our predecessors last year. We understand that a draft statement of general principles regarding contracts has been circulated to various authorities for their opinions, and that it is intended to follow up the enunciation of general principles with a manual of detailed instructions indicating the powers of various authorities in respect of different kinds of contracts and prescribing rules to govern points connected with or arising out of agreements.

Q. 16. (2) *Treatment of losses*.—We have been informed that the Auditor General has submitted a report on this subject and that the considered opinions of Provincial Governments have now to be obtained in the matter.

Q. 17. (3) *Recovery of losses and Disciplinary action*.—We have been told that, here again, a draft statement of general principles and procedure to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals has been prepared and circulated to the Departments of the Government of India for their observations.

App. III-2. (4) *Inventory of Government property*.—We understand that the Auditor General has forwarded to the Government of India a report on the question of the preparation and maintenance of an inventory and that it is under consideration.

App. III-12. (5) *Sea Customs Act*.—We have been told that an amending bill has been drafted.

(6) *Audit of Receipts.*—We understand that the Secretary of State Q. 15.
has been addressed on the question of the audit of receipts but that a decision is not likely to be reached when the Statutory Commission is still sitting. As regards the allied question of internal check of Customs receipts, we have been told that the Central Board of Revenue submitted certain proposals to the Government of India who considered them to be unduly expensive and have returned them to the Board for reconsideration.

(7) *Powers of Departments of Government of India.*—We understand Q. 13.
that, with changes in the constitution impending, it is not considered desirable to attempt a new codification of powers but that it is proposed to make *interim* arrangements in accordance with which financial sanctions issued by other Departments of the Government of India will be communicated to audit by the Finance Department, so that Audit would no longer have any difficulty in the matter, as the responsibility for seeing that other Departments did not exceed their powers would then rest with the Finance Department. We have also been informed that Audit may act on the assumption that the Financial Adviser, Military Finance, as a Joint Secretary to the Government of India, has been given full authority and has been constituted the sole mouthpiece of the Finance Department in matters of Military Finance.

(8) *Profit and Loss account of Posts and Telegraphs.*—It has been Q. 23.
stated to us that the settlement of claims as between the Posts and Telegraphs and the Railway Departments, the ascertainment of the pensionary liability of the Posts and Telegraphs Department, the institution of a separate account for the Radio Department and the control of the Indo-European Telegraph Department are all matters which are still under consideration.

(9) *Railway Demands for Grants.*—We understand that a decision on Q. 299.
the question of changing the form of these demands has been postponed pending the deliberations of the committee which is to examine the question of the separation of railway accounts from audit.

21. The only specific recommendations we have to make are :—

(i) *Item (6) above.*—In view of the special importance of Customs receipts to the Central Government, we desire to impress upon them the necessity for arriving at a prompt decision on the question of internal check.

(ii) *Item (7) above.*—In order to mark the position of the Financial Adviser, Military Finance, orders of the Finance Department which are of general application and should therefore extend—with or without modification—to the military administration, should be communicated to the Army Department, the Military Accountant General and the Director of Army Audit by the Financial Adviser.

(iii) *Item (8) above.*—While we recognise that the question of settlement of claims and counter-claims as between the Posts and Telegraphs and Railway Departments is a matter of bargaining and will therefore take time, we consider that the question of enhancing the rents due from the canals should be settled without delay.

III.—Comments on general matters arising out of the present Report.

New
Service.

Q. 190.

22. In the course of his comments on the Appropriation Accounts, the Auditor General has raised the question of the definition of the term "new service", which appears in rule 50 of the Indian Legislative Rules. That rule requires that a supplementary grant should be obtained from the Assembly when "a need arises during the current year for expenditure, for which the vote of the Assembly is necessary, upon some new service not contemplated in the Budget for that year". As the rule stands, it is necessary that such a demand must be presented for the whole amount involved and not only for a token amount if the service is a new service. As stated elsewhere in this report, the Government of India are taking steps to amend the rule with a view to enabling a token demand to be presented if the expenditure involved can be met by re-appropriation. Even so, it is necessary for the guidance of Administration as well as of Audit to define the term "new service" in order to see whether even a token vote has to be obtained in any particular case. The views of the Auditor General are set out in his "Memorandum on the work of the Public Accounts Committees in India". We have also been supplied by him with a memorandum (Appendix XI) indicating the practice adopted in England in this respect. The conditions there are not quite analogous to those prevailing in this country and while we are inclined to agree in the conclusions set forth in these memoranda, we do not desire to commit ourselves definitely thereto at present. We agree with the Auditor General that, as in England, there should be no cast-iron rule and that the application of the term to concrete cases could best be governed by the evolution of a body of case law. We recommend that, in placing cases before the Standing Finance Committees, the Government of India should state whether the expenditure is in respect of a new service; and that, if Audit holds a different view in particular cases, such cases should be brought to the notice of the Public Accounts Committee through the Appropriation Accounts.

Q. 386.

Q. 537.

23. During our examination of the Appropriation Accounts for 1926-27 we have had occasion to examine the issues involved with reference to certain specific cases. We have held that neither the safeguarding of a source of revenue nor the substitution of one instrument of service for another can be considered to be a new service. On the other hand, we have held that a grant-in-aid to a new Provincial hospital, amounting to rupees one lakh, should be considered to be a new service within the meaning of the rule referred to above. We have thus already started evolving a body of case law, and look to Audit to bring to our notice any difficulties which may arise in the interpretation of the term in future.

Scope of a
Grant.

Q. 92.

24. An important point has been raised by the Accountant General, Posts and Telegraphs, which relates to the propriety of combining both capital and revenue expenditure in one grant. We agree with the Accountant General that the procedure adopted by the Government of India would have been open to objection if the capital expenditure in question were expenditure charged outside the revenue account. As a matter of fact, however, we find that the practice is to combine in one grant the ordinary revenue expenditure and the capital expenditure charged to revenue. This practice is in conformity with that which has

prevailed in the United Kingdom for years. Moreover, the matter is one which, under rule 44 of the Indian Legislative Rules, is for the decision of the Finance Member and involves no question of either convenience or principle. In the circumstances, we do not desire to pursue the point.

25. The question was also raised in the Committee as to the propriety of debiting Ecclesiastical charges incurred in connection with the Army to the head "Ecclesiastical" in the Civil Estimates. We understand that the same question was raised by the Retrenchment Committee and carefully considered by the Government of India, who decided in 1925 that any change should be left over until the whole question of Chaplains and Churches could be dealt with comprehensively after the Indian Church Measure was adopted. Now that this measure has come into operation from the 1st January 1928, we desire that the Government of India should take up the question.

Ecclesiastical Charges.

Q. 892.

26. We have given very careful consideration to the facts brought out in paragraph 104 of the Report of the Accountant General, Central Revenues, and in the memorandum furnished by the Auditor General (Appendix IX) on the subject of the loss, or risk of loss, in connection with the collection of marble at New Delhi. The most important of the points raised relates to the relaxation of the specifications and the possible aggravation of loss due to such relaxation. The New Capital Committee examined the officers concerned at length and came to the conclusion, among others, that the form of the contract for the supply of marble was unsuitable, but that the relaxation of its conditions did not lead to loss or to increase in wastage. We agree that the contract was most unbusinesslike, and recommend that, if similar defects should be noticed in contracts in future, steps should be taken forthwith to revise them in a suitable manner.

Delhi Marble.

Q. 452.

27. We have already suggested that the promulgation of general principles regulating contracts and the manual of detailed instructions in connection therewith should be expedited. We would add that such principles should also be made applicable to contracts relating to the Railway and the Military Departments as far as possible. If the formal promulgation is likely to take time, we consider that it would be advisable to issue orders without delay, impressing upon the officers concerned the necessity for observing the general principles suggested in paragraph 13 of the Report of last year, as also the following ones which have suggested themselves to us during the course of our examination of the Appropriation Accounts for 1926-27 :—

Contracts.

Q. 171.

App. XIII-24.

(1) Conditions of contracts should be settled and reduced to writing before the works are started, and, once a contract is signed, departures from its terms should rarely, if ever, be permitted, and even then, only with the sanction of competent authority.

Q. 199.

(2) If, however, at any stage it is found that the terms of a contract are contrary to the original intentions, or otherwise defective, steps should be taken forthwith to revise it in a suitable manner.

Q. 478.

Q. 221.

(3) Irregular concessions to contractors should on no account be granted, and the grant of such concessions, if any, should be brought to notice in the Appropriation Accounts.

App. XIII-55.

(4) If circumstances are likely to arise which might justify *ex gratia* payments to contractors, steps should be taken to give such timely notice as would tend to reduce the amounts so payable. Further, before making any such payment, the advice of the Government Solicitor should be obtained in regard to the legal aspect of the case.

App. XIII-59.

(5) When a civil suit is instituted against a contractor, it should not be withdrawn without the sanction of competent authority, which term should be suitably defined to avoid misapprehension.

Q. 199.

(6) It is theoretically advantageous to enter into lump sum contracts rather than into contracts which provide for the payment of actual cost *plus* a certain percentage on account of profit. If experience proves that any contract of the latter type actually entered into by Government is not in the financial interests of Government, it should be brought to notice through the Appropriation Accounts.

Concessions
to Firms

Q. 69.

28. The Accountant General, Posts and Telegraphs, has brought to notice a case in which the representative of an important business concern with which the Posts and Telegraphs Department has large business transactions, had been allowed for some years a free use of the trunk telephone line between two important places as an act of courtesy. It has been contended that the grant of such concession is not unusual between bodies having business relationships with each other. Nevertheless, it is conceivable that an extension of the system may easily lead to abuse, and the Committee accordingly recommend that such concessions should be given in future only by the Government of India, who should scrutinise the cases jealously and communicate their sanctions to Audit.

Recovery of
losses and
disciplinary
action.

Q. 53.

29. We have already indicated that the question of formulating general principles and procedure to regulate the enforcement of responsibility for losses is under the consideration of Government. We consider that, in this connection, it is necessary to emphasise the value, in preventing frauds and financial irregularities of all kinds, of careful selection of officers to be entrusted with responsibility; of conscientious supervision and obedience to rules; of deterrent punishment of those guilty of dishonesty or of deliberate or negligent disregard of rules; and of frequent and thorough inspections. As in the case of the principles relating to contracts, we suggest that these general principles also should be made applicable to the Railway and the Military Departments with any necessary modifications, which, however, should be carefully scrutinised by the Government of India before final adoption. In addition to these general comments, we desire to make the following specific suggestions:—

Q. 117.

(1) As a matter of general principle, the fact that certain officers who were guilty of frauds or irregularities, have been demobilised or have retired and have thus escaped punishment, should not be made a justification for absolving those who are also guilty but who still remain in service.

App. XIII-61.

(2) It should be laid down whether in cases of financial loss occurring in the Military Department, the final authority to settle the question of disciplinary action should be His Excellency the Commander-in-Chief or the Government of India. App. XIII-61

(3) It should also be carefully considered whether losses in connection with central transactions, conducted by Provincial Governments as agents of the Central Government, and directly due to the neglect of the servants of the agents, should not be a provincial charge. Q. 849.

30. We are aware that this last point was taken by the Government of India in connection with certain embezzlements in the Burma treasuries, and that it raises important constitutional issues. Nevertheless, it is a matter which demands early consideration. It is relevant to mention, in this connection, that the question has also been raised whether in such cases the Government of India should not be consulted by the Provincial Government concerned in regard to disciplinary action. It was explained to us that, in a matter like this, the Government of India ought not to interfere with their agents whose servants were concerned ; that the Government of India have already forwarded to local Governments copies of their letter of September 1927 to the India Office, detailing the measures taken for checking the growth of fraud and embezzlement of public revenues ; and that, when the general principles regulating disciplinary action are settled by the Government of India, they would also be likewise communicated. In the circumstances, we do not wish to pursue the suggestion.

31. Our predecessors devoted considerable attention to the question of making the Indian Stores Department self-supporting by extending its activities, and, in particular, by securing continual and increasing support from the Army and Railway Departments. The Army Department have already been placing large orders and we are gratified to hear that such co-operation has been forthcoming latterly from the Railway Department to a very appreciable extent, and that the loss on the working of the Stores Department is expected to be very considerably reduced in the near future. We have also found a certain amount of evidence of the realisation by departmental authorities of the advisability of reducing stocks generally. We have, however, to make the following observations in regard to the purchase and accommodation of stores in the light of the facts which came to our notice in the current year :—

- (1) It is not businesslike to purchase stores in dribblets : periodical indents should be prepared, and as many articles as possible should be obtained by means of such indents. Q. 241.
- (2) Care should be taken not to purchase stores much in advance of actual requirements if such purchase is likely to prove unprofitable to Government. Q. 441.
- (3) It is necessary and economical, in the long run, to provide suitable accommodation for valuable and combustible stores, which would prevent the possibility of large losses by fire or other accidents. App. XIII 13.

**Land and
Buildings.**

Q. 62

32. A case was brought to our notice in which a plot of land was purchased for the Posts and Telegraphs Department much in advance of the construction of a building thereon. It was explained to us that this was done in view of the desirability of obtaining suitable sites at the favourable rates then prevailing. We do not, of course, see anything unbusinesslike about this particular procedure, but would suggest that the building programme of the Department should be prepared with due regard to considerations of economy.

**Miscellaneous
Irregularities.**

**Qs. 172, 182 &
487.**

33. We find that a considerable number of irregularities has occurred during the year in connection with the taking of measurements and the upkeep of measurement books and other initial accounts ; that there has been some disregard of the financial interests of Government generally ; that irregular procedure has been adopted with a view to evading audit objections ; that expenditure has been misclassified with a view to evading the detection of irregularities ; and that audit objections have not been disposed of with the requisite promptitude. We need hardly stress the fact that these irregularities are serious, and we would suggest that the Government of India should consider the question of issuing general instructions in the matter and of impressing upon all officers the desirability of observing the rules.

**Orders with
limited
currency.**

App. XIII-21.

34. The Committee of last year dwelt on the gravity of signing certificates without a sense of responsibility. We find that perfunctory signing of certificates led to large over-payments of proficiency pay to soldiers in almost all the districts for a considerable length of time. We would repeat the recommendation made last year that cases of this kind should be visited with severe displeasure and penalty in future. In the particular instances referred to, we consider that the incorrect issue of proficiency pay could probably have been avoided by suitable action on the part of the Military Accounts Department and that some automatic arrangements should be introduced in the Accounts Offices generally, which will help to diminish the possibility of expenditure being incurred under orders which have a limited currency, after the currency of those orders has expired.

**Depreciation
and Reserve
Funds.**

Q. 42.

35. It has been explained to us that the rates of depreciation laid down by the engineering authorities in connection with the commercialisation of the accounts of the Posts and Telegraphs Department were provisional and would require revision in the light of experience. We suggest that the scrutiny of the rates should be accelerated and that alternative methods of applying such scrutiny should also be considered. We would also commend for the consideration of the Government of India the question whether the Department might not use its accumulations in the Depreciation Fund for avoidance of debt to the Government of India on account of capital outlay on new assets, particularly as, under present arrangements, the Department earns, on its accumulations in the Fund, a smaller rate of interest than it has to pay on the capital lent to it. We notice in this connection that the kindred question of investment of balances in the Railway Depreciation and Reserve Funds is under the consideration of the Railway Department.

**Audit on
Company
Lines.**

36. In paragraph 71 of the Report of last year, our predecessors recommended that the question whether audit on Company lines could be improved by increasing the staff of Government Examiners should be considered in the light of the experience on the East Indian Railway.

We have been informed by the Auditor General that he has been devoting Q. 18. considerable attention to this question, and that he is at present engaged in working out a model scheme of audit applicable to both State lines and Company lines. We are told that the Railway Board fully agree as to the necessity for an extension of the scope of the audit by Government Q. 161. Examiners and for more frequent inspections by them of initial records. The effect of the tightening of audit on the Bengal Nagpur Railway, at any rate, is visible practically throughout the Report of the Accountant General, Railways. The seriousness of the cumulative effect of the cases Q. 162. of financial irregularities relating to this Railway has been admitted, and we have been assured that the great majority of them are under investigation and that the next Report of the Accountant General would show the result of the special action contemplated. In the circumstances, we leave it to our successors to consider the whole position next year when full facts will be made available to them. We would also leave for consideration Q. 163. next year the question of the comparatively small ratio of the expenditure on replacements and renewals to gross earnings on the same Railway, which is also at present under the consideration of the Railway Department.

IV.—Comments on matters relating to particular Departments arising out of the present Report, etc.

Section I of the Home Auditor's Report on the Secretary of State's accounts.

37. *Paragraph 2 of the Report.*—We understand that the mistakes in Q. 88a. the classification of pension have arisen from erroneous entries in last pay certificates. We suggest that the Finance Department should issue general orders with a view to obviating such errors in future.

38. *Paragraph 3 ibid.*—We should like to know in due course the re- Q. 88b. sult of the negotiations between the Government of India and the War Office in connection with the various claims and counter-claims in question.

39. *Paragraph 19 ibid.*—We should also be interested to hear next year Q. 585. about the progress made in the settlement of the claims regarding refugees with the Foreign Governments concerned.

Section I of the Home Auditor's Report on the High Commissioner's accounts.

40. *Paragraph 15 of the Report.*—We should like to know in due course Q. 723. the final decision reached in regard to the outstanding balance of the advance made to the Taj Mahal Trading Company.

Report of the Accountant General, Central Revenues.

Grant 18-Salt.

41. *Paragraph 39 of the Report.*—We suggest that the profit and loss Q. 378. accounts of the Northern India Salt Revenue Department for two successive years should be incorporated in future Appropriation Accounts together with a statement for a series of years showing the quantity of salt produced and the cost of production at different sources.

42. *Paragraph 41 ibid.*—We consider that the balance sheet, which we Q. 381. understand is actually prepared by the Director of Commercial Audit, can usefully be incorporated in future Appropriation Accounts.

Grant 21-Forest.

Q. 654. 43. *Paragraph 50 ibid.*—We observe that greater care is necessary in controlling expenditure against appropriation and in estimating the requirements of the closing months of the year.

Q. 657. 44. *Paragraph 52 ibid.*—We would request Government to consider the question of issuing an up-to-date edition of the Forest Department Code without waiting for the recommendations of the Statutory Commission, though these might conceivably affect the future administration of the Department.

Q. 668. 45. *Page 158 ibid.*—We should be glad to know in due course whether the account of timber shipped from Burma and placed with the timber agents in London for disposal has been finally settled.

Grant 22-Irrigation, Navigation, etc.

Q. 416. 46. *Page 164 ibid.*—We are content to leave to the Auditor General the initiation of the question of reconsidering the system of *pro-rata* distribution of establishment charges.

Grant 30-Foreign and Political Department.

Q. 527. 47. *Paragraph 54 ibid.*—We consider that adequate arrangements should be made to control expenditure against the grant and to obtain additional grants, if necessary, in good time.

Grant 46-Survey of India.

Q. 586. 48. *Paragraph 61 ibid.*—We would request that the consideration of the question of the form in which the accounts relating to the Mathematical Instrument Office, Calcutta, should appear in the Appropriation Accounts should be expedited

Grant 49-Botanical Survey.

Q. 592. 49. *Paragraph 131 (6) ibid.*—We understand that the Director of Commercial Audit has submitted a report to the Government of Bengal in regard to the system of keeping cinchona accounts on a commercial basis and, further, that the question of keeping similar accounts in respect of the Government of India's transactions is closely connected with the analogous question relating to Bengal as also with the recommendations of the Royal Commission on Agriculture on the subject of cinchona plantations. We request that the consideration of the question should be taken up as early as possible.

Q. 611. 50. *Page 226 ibid.*—We consider that the form of the certificate of verification of stock is not satisfactory. We were informed by the Director of Commercial Audit that the arrangements for stock verification at Mungpoo were capable of improvement and would suggest that steps should be taken to place matters on a satisfactory footing.

Q. 593. 51. *Page 229 ibid.*—We have examined the position in regard to the large stocks of quinine sulphate and are of the opinion that the Government of India should terminate or modify the contract with Messrs. Howard & Co., as early as possible so as to avoid further over-stocking.

Grant 55-Medical Services.

52. *Paragraph 64 ibid.*—With regard to the variations in the receipts Q. 631. from paying patients credited to the X-Ray Institute, we were informed that the settlement of the question awaits a decision regarding the transfer of the administration of the institute to the Military Department. We recommend that the Government of India should consider whether the system of allocation of fees should not be stopped and whether the officers should not be debarred from private practice, a suitable compensation being given, if necessary.

Grant 57-Agriculture.

53. *Pages 266 and 267 ibid.*—It would be useful in this case also if the Q. 640. trading and profit and loss accounts could be given for two successive years in future Appropriation Accounts. We propose to leave the examination of the loss on the Karnal Farm to our successors who will have later figures for purposes of comparison.

Grant 58-Civil Veterinary Services.

54. *Paragraphs 67 and 68 ibid.*—We suggest the desirability of the Q. 646. audit irregularities and connected questions relating to the accounts of the Imperial Institute of Veterinary Research and Dairy at Muktesar being disposed of by Government as early as possible ; and also of steps being Q. 651. taken to improve the administration of the grant.

Grant 66-Indian Stores Department.

55. *Pages 312 to 316 ibid.*—Here again we suggest that the profit and Q. 507. loss accounts for two successive years should be included in the Appropriation Accounts in future.

Grant 68-Mint.

56. *Paragraph 71 ibid.*—We hope that a final decision in regard to the Q. 858. form of the profit and loss accounts and balance sheet of the mints will be reached in time for these to appear in the Appropriation Accounts next year.

Grant 69-Civil Works.

57. *Paragraphs 72 to 74, 76 and 77 ibid.*—We shall be glad to be in- Q. 421. formed next year of the progress made in the disposal of the cases relating to the issue of Supplementary and Financial Rules, etc., relating to the provision of residences to Government servants and to members of the Indian Legislature ; the adequacy of rents charged for Government residential buildings in Delhi ; the incidence of the expenditure on the residences, etc., of His Excellency the Commander-in-Chief ; and of the recovery from Commercial Departments of the loss incurred in connection with the residential buildings supplied to them.

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Grant 76-Baluchistan.

58. *Paragraph 25 ibid.*—We should like to know, in due course, of the Q. 559. decision regarding the procedure for depositing collections in the treasury.

Grant 79-Andamans and Nicobar Islands.

Q. 817. 59. *Paragraph 87 ibid.*—We hope that the question of the form in which the *pro forma* profit and loss accounts in respect of “ S.S. Maharaja ” should be prepared as also that of placing the Commissariat Department on a commercial basis and of maintaining suitable *pro forma* accounts in this connection will be settled in time to enable the accounts to be placed before us next year.

Q. 822. 60. *Paragraph 88 ibid.*—In view of the fact that the irregular shipping service between India and the Andamans and other conditions make it difficult to watch the progress of expenditure, we suggest that the desirability of instituting a local Pay and Accounts Office with reference to the needs of the situation be considered at an early date.

Q. 827. 61. *Pages 489 and 490 ibid.*—We are of the opinion that it would be useful if the expenditure relating to the Moplah settlement could be shown under a separate sub-head and request that the feasibility of such exhibition be considered.

Ecclesiastical.

Q. 713. 62. *Paragraph 92 ibid.*—We hope that the revision of the Ecclesiastical Rules will be expedited.

Political.

Q. 570. 63. *Paragraph 94 ibid.*—We should be interested to know in due course the result of the correspondence between the Government of India and the Secretary of State regarding the audit of secret service expenditure.

Q. 571. 64. *Paragraph 131 (9), (10) and (11) ibid.*—We should also be interested to have a report next year showing the progress of the settlement of the various outstanding claims referred to in this paragraph.

Grant 85-Capital Outlay on Security Printing.

Q. 862. 65. *Paragraph 97 ibid.*—We hope that it will be possible to settle the form of the accounts of the Security Printing Press in time to enable the accounts to be presented to us next year.

Grant 91-Delhi Capital Outlay.

Q. 434. 66. *Paragraph 98 ibid.*—We were informed that steps have been taken to secure a more effective watch over the liabilities and to facilitate control of expenditure. We trust that the Accountant General will be able to record an improvement in these directions in his report for the year 1928-29.

Q. 450. 67. *Paragraph 100 ibid.*—We hope that the capital and revenue accounts of residential buildings in New Delhi will be prepared as soon as possible.

Grant 93-Loans and Advances bearing interest.

68. *Paragraph 112 ibid.*—We trust that the Government of India will Q. 863. be able, in the near future, to reach a decision on the points referred to in paragraphs 4 and 6 of the Auditor General's memorandum on the working of the Provincial Loans Fund (Appendix X).

Report of the Accountant General, Posts and Telegraphs.

69. *Paragraph 51 of the report.*—We desire to record our appreciation Q. 80. of the very distinct improvement in the estimating of the total revenue expenditure noticed in this paragraph. As regards the large variations under repairs to buildings, however, we are informed that the real explanation is a defect in the machinery for executing repairs. We suggest that the possibility of remedying this defect be considered.

70. *Paragraph 54 ibid.*—The savings under radio expenses were stated Q. 86. to be due to shortage of supervising staff. We are not satisfied with this explanation and would suggest that steps be taken to avoid over-estimating expenditure under this head.

71. *Paragraphs 63, 70 and 89 ibid.*—We are of the opinion that the Qs. 93 & 100 defects brought to light in these paragraphs deserve the careful attention of the authorities responsible for framing the estimates ; that they indicate the desirability of a greater knowledge of the progress of expenditure and stricter control of it on the part of the controlling officers, etc. ; and that steps should particularly be taken to make a more adequate estimate of the credit on account of stores returned to stock in future.

72. *Paragraph 88 ibid.*—We shall be interested to see, in due course, Q. 107. the results of the detailed enquiry which, we understand, is being conducted in regard to the comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department.

Report of the Accountant General, Railways.

73. *Paragraph 15 of the report.*—We share the anxiety of the Q. 158. Auditor General that a speedy improvement should be attained in the Accounts office. We are informed that an appreciable improvement has latterly occurred.

74. *Paragraphs 63 to 65 ibid.*—We consider that steps should be Q. 177. taken to keep a careful watch on the progress of expenditure, as also on probable liabilities. These and other defects brought to light in the report suggest the necessity for devising suitable means of securing more satisfactory budgetary arrangements. As already stated elsewhere, we were informed that the report of the officer placed on special duty in this connection would be received and considered by the Railway Department very shortly, and we hope that the Appropriation Accounts for future years will indicate considerable improvement in this connection.

75. *Paragraphs 74 and 75 ibid.*—We are gratified to note the further Q. 179. substantial decrease in the payments for goods lost or damaged. From a statement produced before us, we found that there has also been a considerable decrease in the number of actual claims.

- Q. 183. 76. *Paragraph 92 ibid.*—We should be glad to be informed next year of any improvements in the procedure relating to sales of stores which may be effected meanwhile.
- Q. 198. 77. *Paragraph 118 ibid.*—We should also be interested to be informed next year of the decisions taken regarding the recommendations of the State Railway Workshops Committee on the piece-work and bonus systems and the introduction of cost accounting in workshops.
- Q. 203. 78. *Paragraph 128 ibid.*—We hope that the report which will be presented to us next year will indicate that the building at Nagpur has been disposed of.
- Q. 204. 79. *Paragraph 129 ibid.*—We should be glad to be informed next year whether the defect in the shipping arrangements in this case was due to a defect in the contract itself and when exactly the fraud came to light.
- Q. 231. 80. *Paragraph 170 ibid.*—We desire to emphasise the fact that unless expenditure is recorded by sub-heads of work under each sub-work and the quantities of work estimated for and actually executed are clearly recorded, it is impossible to watch effectively the progress of expenditure and to prevent or anticipate excesses.
- Q. 260. 81. *Paragraph 193 ibid.*—We suggest that the Accountant General might obtain from the Railway Board, and give in his report next year, figures comparing the expenditure on the Crew system on the lines on which it is in force with the recoveries made from passengers travelling without tickets.
- Q. 271. 82. *Paragraph 195 ibid.*—We should be glad to be informed of the decisions, if any, regarding the report of the officer on special duty who investigated the procedure obtaining in departmental offices in connection with the loss of revenue brought to light in this paragraph.
- Q. 287. 83. *Paragraph 234 ibid.*—We were informed that under present arrangements a railway cashier attends every auction at which railway property is sold and receives the sale proceeds. We suggest that the Railway Department might ascertain the rules which are in force on the Army side with a view to their adoption if necessary.

Report of the ad hoc Committee.

84. We have already dealt with the main recommendations made by the *ad hoc* Committee (Appendix XIII). For the rest, we would draw particular attention to the following paragraphs.

Paragraph 1—Preparation of statements of outstandings.

Paragraph 2—Inclusion in the Appropriation Accounts of a statement comparing the net actuals under the military heads with the original net appropriation and the modified net appropriation.

Paragraph 4—Results of the concentration of Military Accounts offices.

Paragraph 7—Points of financial interest relating to the measures adopted on the recommendations of the Ordnance Supply Committee.

Paragraph 9—Inclusion in the Appropriation Accounts of a *pro forma* account of the transactions of the Land Sale Suspense Fund with suitable foot-notes.

Paragraph 28—Revision of the rates in the priced vocabulary of medical stores.

Paragraphs 36 and 37—Improvement in the methods of estimating and of controlling expenditure.

Paragraph 40—Utilisation of the I. A. S. C. for the provision of supplies to the Royal Indian Marine.

Paragraph 46—Earlier production of the Appropriation Accounts.

Miscellaneous observations.

85. *Paragraph 49 of the Report of the Accountant General, Posts and Telegraphs.*—We concur in the view expressed by the Auditor General with Q. 79. reference to the Posts and Telegraphs Appropriation Accounts that it is undesirable to multiply detailed account heads, and suggest that their number should be cut down wherever it is possible to do so without causing any appreciable inconvenience.

86. *Paragraph 43 of the Report of the Director of Army Audit.*—It App. XIII-3 has been stated that the delay in the issue of correction slips to the Civil Service Regulations has caused considerable inconvenience on the Army side. We need hardly point out that it is very desirable that modifications in the Regulations should be notified to all concerned by the issue of correction slips with as little delay as possible. We understand that a reprint of the Regulations corrected up to date is now in hand.

87. *Paragraph 24 of the Report of the Accountant General, Central Revenues.*—We agree that cases of authorisation of expenditure in anticipation of the approval of the Standing Finance Committee, or of provision of funds, need not be detailed in the Accountant General's report in future when such provision is either not necessary or has subsequently been obtained, or when a supplementary grant is found to be necessary and has subsequently been obtained. In other words, the cases to be shown in the report should be those only in which Audit considers that the approval of the Standing Finance Committee is necessary, in accordance with the principles laid down by that Committee, but has not actually been obtained.

88. We have suggested in certain cases, in the preceding paragraphs, that, where trading and profit and loss accounts appear in the Appropriation Accounts, they should be given for two successive years in future for purposes of comparison. We should be glad if this procedure could be adopted as a matter of practice in other similar cases as well.

89. We desire that, in order to facilitate our work, the Appropriation Accounts and connected documents should, in future, be supplied to the members as they are ready ; and further that copies of any Administration Reports which are likely to be useful to us in the course of our deliberations, should likewise be supplied.

90. In conclusion, we desire to record our appreciation of the thorough manner in which the *ad hoc* Committee have dealt with the Appropriation Accounts of the Army, Marine and Military Engineer Services and the connected documents, as also of the very valuable assistance which has been given to us by the Auditor General and his staff throughout our proceedings as in previous years: We also desire to acknowledge the very able and ungrudging services of Mr. H. Shankar Rau, our Secretary.

B. N. MITRA.

S. C. MITRA.

ABDUL MATIN CHAUDHURY.

C. S. RANGA IYER.

T. A. K. SHERVANI.

B. DAS.

CHOWDHURY MD. ISMAIL KHAN.

M. C. RAJAH.

H. A. J. GIDNEY.

W. ALEXANDER.

ABDUL AZIZ.

We desire to record our sense of appreciation of the tact, patience and courtesy with which Sir Bhupendra Nath Mitra, our Chairman, has conducted the proceedings of the Committee, and of the wide administrative experience which he has placed unreservedly at the disposal of the Committee and which has been most helpful to us in the course of our deliberations.

S. C. MITRA.

ABDUL MATIN CHAUDHURY.

C. S. RANGA IYER.

T. A. K. SHERVANI.

B. DAS.

CHOWDHURY MD. ISMAIL KHAN.

M. C. RAJAH.

H. A. J. GIDNEY.

W. ALEXANDER.

ABDUL AZIZ.

The 1st September 1928.

V.—PROCEEDINGS OF THE COMMITTEE.

Proceedings of the First Meeting of the Public Accounts Committee held on Wednesday, the 15th August 1928, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir Bhupendra Nath Mitra, *Chairman*.

(2) Mr. S. C. Mitra.

(3) Mr. Abdul Matin Chaudhury.

(4) Mr. C. S. Ranga Iyer.

(5) Mr. B. Das.

(6) Rao Bahadur M. C. Rajah.

(7) Mr. W. Alexander.

(8) Khan Bahadur Mian Abdul Aziz.

} *Members.*

(9) Sir Frederic Gauntlett, Auditor General.

(10) Mr. J. E. C. Jukes, Controller of Civil Accounts.

(11) Mr. G. Kaula, Accountant General, Central Revenues.

(12) Mr. D. C. Campbell, Director of Comm. Audit.

} *Were also present.*

(13) Mr. B. Nehru, Assistant Auditor General.

The Hon'ble Mr. E. Burdon, Financial Secretary, *Witness*.

At the outset the Chairman welcomed the members to the deliberations and made a few preliminary remarks. He said that many of them, including himself, were new to the work, but all were nevertheless seekers after truth in the matter of the accounts of the Central Government for 1926-27. He added that the time at their disposal was, as usual, rather limited, and that it would be necessary to confine themselves to matters which were strictly relevant to those accounts.

2. At this stage the question was raised whether a nominated official member of the Assembly can be nominated as a member of the Public Accounts Committee. One of the members contended that this was an innovation, and four non-official members out of the five present at the time were of opinion that such nomination should not be made. The Chairman pointed out that it was not an innovation, that he himself was an official, that Rule 51 of the Indian Legislative Rules provides for the nomination of a certain number of members by the Governor-General without restricting such nomination to any particular class of members of the Legislative Assembly, and that the Public Accounts Committee was, therefore, precluded from raising the question, although it would be open to the Legislative Assembly to recommend that the Statutory rule should be amended. The

same members then desired that the Committee should express the hope that the Governor-General would not make such a nomination in future. Finally, the Chairman, in consultation with the Legislative Department, ruled* that the Committee, in so doing, would be exceeding its functions.

3. The question was also raised whether, before a Departmental witness was called in, it would not be advisable to have a preliminary consultation with the Auditor General as a matter of ordinary procedure and following the English practice. It was realised that the Auditor General's letters forwarding the Appropriation Accounts to the Government of India would normally contain an indication of the more important points for discussion, as also his views on those points. It was also pointed out that a procedure of the kind suggested was actually in force in the past—although the proceedings were, contrary to home practice, actually recorded—but had been given up last year with a view to saving time. The Committee decided, however, that in future the first ten minutes should be devoted each day to a preliminary consultation, during which witnesses would not be present and the proceedings would not be recorded.

4. The Committee then turned to the consideration of the Finance Department Resolution (Appendix I) on the Report of the Public Accounts Committee on the Accounts of 1925-26, which indicates the action taken on that Report, the statement prepared by the Finance Department (Appendix II) showing the action taken on points raised by the Committee but not dealt with in the Resolution, and also the statement similarly prepared (Appendix III) showing the recommendations of previous Committees on which action is still outstanding. The Committee wished to record its appreciation of the promptitude with which the Resolution was issued in January 1928.

5. *Paragraph 2 of the Resolution.*—It was explained that the Resolution was issued after the year 1926-27 had closed, and that consequently no considerable improvement could be expected in that year in the matter of over-estimating voted expenditure. The Finance Department and the Financial Advisers always bore in mind the necessity for scrupulously avoiding *deliberate* over-estimation.

6. *Paragraph 4, ibid.*—It was explained that the reference to works expenditure in this paragraph did not in any way conflict with the statement in paragraph 2 of the Resolution that the tendency to *deliberate* over-estimation was not noticeable, and that Works expenditure was of a special nature and required careful watching. With reference to the principle that lump cuts should, where possible, be distributed under the various detailed heads, the Committee wished to examine the representative of the Railway Department as regards the practice adopted in framing the Railway Demands for Grants.

7. *Paragraph 6, ibid.*—On the question of giving the Assembly an opportunity to discuss in general terms the Report of the Public Accounts Committee, the Financial Secretary explained that Sir Basil Blackett had tried to implement the promise made in this paragraph last year. The President of the Assembly first expressed the opinion that, if there was any general desire amongst the members to raise a general debate on the first motion for excess grants, he would have no objection but no such desire was actually evinced in March last, and later, he gave a ruling in the house to the effect that no questions of policy can be raised on such occasions except in so

*This ruling was given at the Second Meeting held on the 16th August 1928.

far as such policy is brought before the House by the items contained in the demands presented. It was explained that steps were being taken in connection with the deliberations of the Statutory Commission to provide a constitutional procedure which would meet the wishes of the Committee in the matter. Nevertheless, the Committee desired to reaffirm the previous year's recommendation.

8. *Paragraphs 9 and 10, ibid.*—It was decided to examine the representative of the Central Board of Revenue on these questions.

Paragraphs 12 and 15, ibid.—It was decided to examine a representative of the Department of Industries and Labour on these questions.

9. *Paragraph 16, ibid.*—The Auditor General informed the Committee that he had no observations to make with reference to the action taken by the Government of India in regard to the question of the grant to him of facilities for direct access to the Secretary of State.

10. *Paragraph 17, ibid.*—The Financial Secretary informed the Committee that the discussion of the proposals for codifying the financial powers of the Departments of the Government of India had advanced considerably and that the requisite action would probably be taken in the very near future. With changes in the constitution impending, it was obviously not desirable to attempt a new codification of such powers, but *interim* arrangements would probably be made in accordance with which financial sanctions issued by other Departments of the Government of India would be communicated to Audit by the Finance Department. Audit would no longer have any difficulties in the matter as the responsibility for seeing that other Departments of the Government of India did not exceed their powers would then rest with the Finance Department. The Auditor General stated that he would be satisfied with the proposed arrangements.

11. *Paragraph 19, ibid.*—The Financial Secretary explained that, in connection with a concrete case relating to the extent of audit of receipts, the Secretary of State had been addressed on the whole question of such audit. The Auditor General doubted whether the communication was comprehensive enough. It was stated that, in any case, the Government of India were not in a position to place their considered views before the Committee at the moment, and the Committee agreed that it did not appear possible to reach a separate decision in the matter when the Statutory Commission is still sitting.

12. *Paragraph 20, ibid.*—The Financial Secretary informed the Committee that the further report referred to in this paragraph had been received from the Auditor General, but the considered opinions of Provincial Governments had also to be obtained, and a decision would take some time.

13. *Paragraph 21, ibid.*—The Financial Secretary told the Committee that a draft of the general principles and procedure to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals had been prepared and circulated to the Departments of the Government of India for their observations. He promised to show the draft to any member of the Committee who desired to see it.

14. *Paragraph 23, ibid.*—With reference to the question of improving the audit on Company lines, the Auditor General informed the Committee that he was engaged in working out a model scheme of audit applicable to both State lines and Company lines.

15. *Appendix II.*—The Committee desired to examine the representative of the Central Board of Revenue on items Nos. 1 and 5, and the representative of the Railway Department on item No. 24.

16. *Appendix III.*—The Committee wished to record its appreciation of the trouble taken by the Auditor General to prepare his report on the question of the preparation and maintenance of an inventory of Government property, buildings, etc. (item 2 of the Appendix): It also wished to examine the representative of the Central Board of Revenue in regard to item 7.

17. At this stage the Committee adjourned till 11 A.M. on Thursday, the 16th August 1928.

**Proceedings of the Second Meeting of the Public Accounts Committee
held on Thursday, the 16th August 1928, at 11 a.m.**

PRESENT :

1. The Hon'ble Sir Bhupendra Nath Mitra, *Chairman*.

2. Mr. S. C. Mitra.

3. Mr. Abdul Matin Chaudhury.

4. Mr. T. A. K. Shervani.

5. Mr. B. Das.

6. Rao Bahadur M. C. Rajah.

7. Mr. W. Alexander.

8. Khan Bahadur Mian Abdul Aziz.

9. Sir Frederic Gauntlett, Auditor General.

10. Mr. Jagat Prasad, Accountant General,
Posts and Telegraphs.

11. Mr. S. P. Varma, Financial Adviser, P.
and T.

12. Mr. T. Ryan, Joint Secretary, Department
of L. and L.

13. Mr. P. N. Mukerjee, Assistant Dir. General,
P. and T.

14. Mr. B. Nehru, Assistant Auditor General.

Mr. P. G. Rogers, Director General, Posts and Telegraphs, *Witness.*

18. At the outset the Chairman expressed his appreciation of the work of Mr. Badenoch, the late Accountant General, P. and T., whose initiative and assistance had largely contributed to the improvements noticeable in the Appropriation Accounts of the Posts and Telegraphs Department in various directions. The Committee then considered the Appropriation Accounts and the Report of the Accountant General thereon, together with the relevant paragraphs of the Auditor General's forwarding letter.

19. *Appendix I to the Report.*—The Committee was informed that the position as regards the various outstanding items of previous years was as follows :—

Item 1.—Adjustments between the Posts and Telegraphs and other Departments. The consideration of the case has well advanced, and the case is expected to be settled in two or three months.

Item 2.—Credits due to the P. and T. Dept. for railway telegraphs. The presentation of claims by the P. and T. Dept. against the Railways has been met by counter-claims, and it may be a considerable time before a final settlement is reached.

Item 3.—Pensionary liability of the Department. The Government Actuary has promised to take up the requisite calculations very shortly and his proposals are awaited.

Item 4.—Separate Profit and Loss Account for the Radio Department. The question has been pursued steadily with reference to the conditions of each wireless station. The principle has been accepted, but the requisite figures required by the Finance Department are being collected and it is hoped that it will be possible to prepare a separate account for the year 1929-30. A reference to the Secretary of State will be required in this connection.

Item 5.—Transfer of the control of the Indo-European Telegraph Dept. to India—*vide* item 23 of Appendix II.

Item 6.—Principles to be followed in the matter of disciplinary action—*vide* item 8 of Appendix III, and also paragraph 13 of these proceedings.

Item 7.—Co-operation between the Railway and the P. and T. Departments in the matter of budgeting for certain works. Instructions have been issued with a view to securing closer co-operation, and their effect is being watched.

Item 8.—Improvements in the arrangements for purchases of stores. Action has been taken in various directions. The stores balance has been reduced considerably during the last few years, orders are being placed in accordance with regular forecasts of Directors of Telegraph Engineering, and the programme of purchases is subject to the scrutiny of the Financial Adviser. The system of classification and stocking is being overhauled.

20. The Committee desired that the disposal of the outstanding questions should be expedited as far as possible.

21. *Paragraph 8 of the Report.*—It was explained that the rates of depreciation laid down by the Engineering authorities were provisional and required revision in the light of experience. The Committee desired that the scrutiny of the rates should be accelerated and that alternative methods of applying such scrutiny should be considered. It also commended for the consideration of the Government of India the question whether the Department might not use its accumulations in the Depreciation Fund for avoidance of debt to the Government of India on account of capital outlay on new assets

22. *Paragraph 9, ibid.*—It was explained that the Master, Security Printing, does not manufacture with a view to maintaining reserves so that the reserves are not so important as to justify a separate calculation of interest on this account. A percentage addition is made to the prices to cover interest as well as other general charges.

23. *Paragraph 11, ibid.*—The Committee was informed that the payment by general revenues to the Post Office for undertaking savings banks and cash certificate business had since been increased with reference to the calculations made by the Accountant-General.

24. *Paragraph 13, ibid.*—While the Committee recognised that the question of settlement of claims and counter-claims as between the Posts and Telegraphs and Railway Departments was a matter of bargaining and would, therefore, take time, it desired that the question of enhancing the rents due from canals should be settled without any avoidable delay.

25. *Paragraph 14, ibid.*—The Committee wished to record its appreciation of the fact that the telephone branch, which previously worked at a loss, showed a profit in 1926-27. It was informed that the apparent anomalies in the rates for trunk calls were probably the result of a desire to popularise the Calcutta-Delhi line, and of an anticipation of larger traffic on that line.

26. *Paragraph 17 (b), ibid.*—The Committee agreed with the Accountant General and the Auditor General that it was necessary to emphasise the value, in preventing frauds and financial irregularities of all kinds, of careful selection of officers to be entrusted with responsibility, of conscientious supervision and obedience to rules, of deterrent punishment of those guilty of dishonesty or of deliberate or negligent disregard of rules, and of frequent and thorough inspections. It was informed that, in promoting officers to the gazetted rank, their fitness to undertake the requisite responsibility was carefully examined and that the particular instances were exceptions rather than the rule.

27. *Paragraph 19, ibid.*—The Committee was told that, in the case in which the Accountant General considered the disciplinary action as being inadequate, the punishment had since been adequately increased.

28. *Paragraphs 20 and 21, ibid.*—It was pointed out that, having regard to the very large number of men on comparatively low rates of pay who were handling cash in the Department, the number of mis-appropriations was comparatively small, and, as remarked by the Accountant General in paragraph 17 of the Report, the smallness of the loss was amazing. The question of risk insurance had been considered and given up, as it would be more expensive than the present arrangements.

29. *Paragraph 22 (b), ibid.*—The Committee considered that the suggestion of the Accountant General that inspecting officers should check a certain number of pass-books with the savings bank journals in the course of their inspections would involve considerable practical difficulties and would cause annoyance to the public and need not be pursued.

30. *Paragraph 32, ibid.*—It was explained that the purchase of land well in advance of the construction of the building was due to the fact that the Department considered it desirable to obtain suitable sites at the favourable rates then prevailing—a procedure about which the Committee did not see anything unbusinesslike. At the same time it desired to endorse the

Accountant-General's suggestion that the building programme of the Department should be prepared with a greater view to economical expenditure of public money. The Committee understood that the building was under construction.

31. *Paragraph 34, ibid.*—With reference to the inadequacy of the disciplinary action referred to by the Accountant General in this case, the Committee was informed that the irregularity had been noted in the character-sheet of the officer concerned, and it was assured that the point would be considered at the time of his promotion. The question whether an irregularity had or had not led to loss to Government was one of the factors taken into consideration in deciding the character of the disciplinary action, in regard to which the formulation of general principles was separately under the consideration of the Government of India (*vide* paragraph 13 of these progs.).

32. *Paragraph 39, ibid.*—The Committee was informed that the delays in question were due to the action of an Indian State, and that normally such delays should not recur.

33. *Paragraph 40, ibid.*—On the very important question of the propriety of Government Commercial Departments granting concessions to firms with which they had large commercial undertakings, the Committee considered that, while it was not unusual to grant such concessions in ordinary commercial practice, they should be given in future only by the Govt. of India, who should scrutinise the cases jealously and communicate their sanctions to audit.

34. *Paragraphs 43 and 79, ibid.*—In regard to the large savings in the grant for capital expenditure, it was admitted that prior to 1927-28 the capital programme was neither carefully scrutinized nor placed before the Standing Finance Committee. Since then, however it is subjected to very careful scrutiny by the Financial Adviser as well as by the Departmental authorities, and, further, the Finance Department insist on making lump cuts wherever they think that there is any over-estimation. Occasions for large lapses of the kind should, therefore, be rare in future.

35. *Paragraph 45, ibid.*—With reference to the suggestion made by the Accountant General, *viz.* that the lump reductions in the revised estimates should have been carried down to the detailed heads, the Chairman explained the process of estimating at length. In view of the fact that the final revised estimate was not built up from below and was settled late in the year, the Committee felt that the distribution of lump cuts, which were being made under minor heads under present arrangements, would be impracticable and would confer no appreciable advantage. Revised estimates did not, under the arrangements now in force, represent modified appropriations, and there was no obligation on subordinate authorities to work up to such estimates. In the circumstances, the Committee decided not to pursue the matter and the Auditor General agreed.

36. *Paragraph 49, ibid.*—The Committee endorsed the view expressed by the Accountant General and the Auditor General that it was undesirable to multiply detailed account heads.

37. *Paragraph 51, ibid.*—The Committee desired to record its appreciation of the very distinct improvement in the estimating of the total

revenue expenditure noticed in this paragraph. As regards the large variation between estimates and actuals under "Repairs to buildings", the Committee was informed that the real explanation was not over-estimating but a defect in the machinery for executing repairs.

38. At this stage the Committee adjourned till 2-30 p.m.

**Proceedings of the Third Meeting of the Public Accounts Committee
held on Thursday, the 16th August 1928, at 2-30 p.m.**

PRESENT :

- | | | |
|--|---|---------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | } | <i>Members.</i> |
| 2. Mr. S. C. Mitra. | | |
| 3. Mr. Abdul Matin Chaudhury. | | |
| 4. Mr. B. Das. | | |
| 5. Rao Bahadur M. C. Rajah. | | |
| 6. Mr. W. Alexander. | | |
| 7. Khan Bahadur Mian Abdul Aziz. | } | <i>Were also present.</i> |
| 8. Sir Frederic Gauntlett, Auditor General. | | |
| 9. Mr. Jagat Prasad, Accountant General,
Posts and Telegraphs. | | |
| 10. Mr. S. P. Varma, F. A., Posts and Tele-
graphs. | | |
| 11. Mr. T. Ryan, Joint Secretary, Department
of Industries and Labour. | | |
| 12. Mr. P. N. Mukerjee, Assistant Director
General, Posts and Telegraphs. | | |
| 13. Mr. B. Nehru, Assistant Auditor General. | | |

Mr. P. G. Rogers, Director General, Posts and Telegraphs, *Witness*.

39. The Committee resumed the consideration of the Posts and Telegraphs Appropriation Accounts and the Accountant General's Report thereon.

40. *Paras. 53-55 of the Accountant General's Report.*—The Committee examined the allegation that over-budgeting was serious under various heads and was informed that the position was as follows :—

Temporary establishment.—Charges on account of officers on special duty were budgeted for under this head, but accounted for under "Pay of officers". Steps have been taken to see that this does not recur.

Stationery and Printing.—Some of the new Codes, which it was expected to finish in 1926-27, will not, as a matter of fact, be

completed till some time in 1928-29 ; in other words, the expenditure which was expected to be incurred and was budgeted for in the former year has actually been spread over a series of years.

Radio Expenses.—The savings under this head were explained due in a large measure to the shortage of supervising staff. (The Committee, however, did not consider this explanation adequate and desired that steps should be taken to avoid over-estimating the expenditure under this head.)

Liveries and Uniforms.—It was suggested that one reason for the savings was the fact that purchases were made through the Indian Stores Department at cheaper rates than anticipated at the time of the preparation of the budget, which contemplated departmental purchases. Orders have since been issued about the scales of liveries, etc., and it is hoped that variations of the kind would not recur.

Travelling Allowance.—The savings under this head were accounted for by the fact that Railways, which granted free passes to Mail service subordinates, had latterly withdrawn the concession, and the overestimating was due to the absence of data at the time the estimates were framed.

41. *Para. 57, ibid.*—On the important point raised by the Accountant General in this para., viz., that of the propriety of combining in one grant both capital and revenue expenditure, the Chairman pointed out that the capital expenditure in question was that which was charged to revenue, that the practice was in conformity with that which prevailed in the United Kingdom for years, and that when the question was raised on a previous occasion, Sir Basil Blackett, with his experience of the English practice, had definitely ruled out the suggestion. The matter was one which, under Rule 44 of the Indian Legislative Rules, was for the decision of the Finance Member, and involved no question of either convenience or principle. In the circumstances, the Committee decided not to pursue the point.

42. *Para. 63, ibid.*—The Committee examined the various cases of defective budgeting brought to notice in this paragraph. It was explained in regard to the variation under “ Direction—Contingencies ” that the original intention was to transfer the whole office of the Director General, Posts and Telegraphs, from Calcutta to Delhi in 1926-27, but that owing to lack of residential accommodation, a portion of the office had to come later in the following year. The variation was thus due to exceptional circumstances. The same fact accounted for certain other variations under “ Travelling allowance.” As regards the lapse under “ Repairs to apparatus and plant ”, the Committee desired that steps should be taken to make a more adequate estimate of the credit on account of stores returned to stock in future. Generally, the Committee was of opinion that the defects brought to light deserved the careful attention of the authorities responsible for framing the estimates.

43. *Para. 70, ibid.*—The Committee endorsed the opinion of the Auditor General that, while the total under “Postal expenses” as a whole indicated close budgeting, the considerable variations under many of the detailed heads showed that greater knowledge of the progress of expenditure and stricter control of it on the part of controlling officers were desirable.

44. *Para. 79, ibid.*—With reference to recoveries effected during the year on account of works done for other departments during the previous years, the Committee emphasized the importance of making a suitable allowance in the estimates for unrealised assets as well as for undischarged liabilities.

45. *Para. 80, ibid.*—It was explained that the Committee referred to in this paragraph worked from June 1926 to June 1928, met about once a month during the period, and dealt with obsolete and over-valued stores to the extent of about 17 lakhs. The Public Accounts Committee noted with satisfaction that a larger proportion of stores was purchased in India in the year under review than in the previous one.

46. *Para. 83, ibid.*—Here again the Committee was gratified to see that the working of the Indo-European Telegraph Department during the year resulted in a profit of more than Rs. 3 lakhs against a loss of more than Rs. one lakh in the preceding year.

47. *Para. 88, ibid.*—The Committee was informed that the Departmental authorities had since agreed to conduct, and were conducting, a detailed enquiry into the comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department.

48. *Para. 89, ibid.*—The Committee endorsed the opinion of the Accountant General that more care is needed on the part of the Directors both in studying the progress of expenditure and in forecasting the expenditure of the last few months.

49. *Para. 97, ibid.*—The Committee was told that instructions had since been issued with a view to seeing that re-appropriations are effected where necessary and possible.

50. The Committee finally examined the question of introducing a Stores Suspense account for stamps (*vide* para. 61 of the Report of the Committee on the Accounts of 1925-26, and item 19 of Appendix II). It came to the conclusion that, although such an account would have been necessary when stocks of stamps were obtained from England, it was not required in present conditions under which stamps were manufactured in India and the stocks in hand generally did not represent more than mere till money.

51. At this stage the Committee adjourned till 2-30 P.M. on Friday, the 17th August 1928.

Proceedings of the Fourth Meeting of the Public Accounts Committee
held on Friday, the 17th August 1928, at 2-30 p.m.

PRESENT :

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| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | } |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. T. A. K. Shervani. | |
| 5. Mr. B. Das. | |
| 6. Rao Bahadur M. C. Rajah. | |
| 7. Mr. W. Alexander. | } |
| 8. Khan Bahadur Mian Abdul Aziz. | |
| 9. Sir Frederic Gauntlett, Auditor General. | |
| 10. Mr. A. F. L. Brayne, Army Secretary. | |
| 11. Mr. A. G. Barr, Director of Army Audit | |
| 12. Mr. B. Nehru, Assistant Auditor General. | } |
| | |

Members.

Were also present.

Mr. A. Macleod, Financial Adviser, Military Finance, *Witness*.

52. The Committee considered the Report of the *ad hoc* Committee (Appendix XIII) on the Appropriation Accounts for the Army, Marine and Military Engineer Services for 1926-27, and the Report of the Director of Army Audit thereon. It desired to record its appreciation of the thorough manner in which the *ad hoc* Committee had dealt with these documents and expressed its concurrence in the conclusions and recommendations of that Committee subject only to the following observations.

53. *Para. 13 of the ad hoc Committee's Report*.—In regard to the application of general principles regulating the enforcement of responsibility for losses, the Committee desired that if the general principles which may be adopted for Civil Departments, are intended to be applied with any modifications to the Military administration, such modifications should be carefully considered by the Government of India before they are adopted.

54. *Para. 61 and Annexure A, ibid.*—The Committee considered that as a matter of general principle, the fact that certain officers had been demobilised or had retired and had thus escaped punishment should not be made a justification for absolving those who were guilty but still remained in service.

55. The Committee adjourned till 11 A.M. on Saturday, the 18th August 1928.

Proceedings of the Fifth Meeting of the Public Accounts Committee held
on Saturday, the 18th August 1928, at 11 a.m.

PRESENT :

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|--|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | } <i>Members.</i> |
| 3. Mr. Abdul Matin Chandhury. | |
| 4. Mr. T. A. K. Shervani. | |
| 5. Mr. B. Das. | |
| 6. Rao Bahadur M. C. RajaL. | |
| 7. Mr. W. Alexander. | |
| 8. Khan Bahadur Mian Abdul Aziz. | |
| 9. Sir Frederic Gauntlett, Auditor General. | } <i>Were also present.</i> |
| 10. Mr. J. M. Hartley, Accountant General,
Railways. | |
| 11. Mr. B. Nehru, Assistant Auditor General. | |
| Mr. A. A. L. Parsons, Financial Commissioner,
Railways. | } <i>Witnesses.</i> |
| Mr. P. R. Rau, Director of Finance, Railway
Board. | |

56. The Committee took up the consideration of the Appropriation Accounts of Railways in India for 1926-27 and the Report of the Accountant General, Railways, thereon, together with the relative paragraphs of the Auditor General's letter forwarding these documents.

57. *Paragraph 4 of the Accountant General's Report.*—With reference to the savings noticed in this paragraph, it was explained that those in Grant No. 11 were due to incorrect adjustment by Railways of certain English payments, which would be rectified in the following year, and that Grants Nos. 12 and 13 merely represented balancing entries. As regards the savings in Grant No. 14, the Committee was told that these were due to the closing of certain subsidiary workshops on the North-Western Railway with a view to economy. In this connection it was pointed out that, while it was undesirable that expenditure not provided for in the budget should be incurred, there was no reason why savings not provided for therein should not be secured, if it was possible to do so. As regards Grant No. 15 the savings were explained as having arisen partly from the difficulty of getting English material owing to the strike at Home, and partly from the difficulty of knowing when bills for such materials would actually come in for payment. The Committee, however, was not satisfied about the need for obtaining a supplementary grant in this case, and expressed the hope that the Government of India would devise suitable means of securing more satisfactory budgetary arrangements.

58. As regards the instances quoted in paragraph 4 (b) of the Auditor General's letter, the Financial Commissioner admitted that the present budgetary arrangements on the North-Western Railway were not quite satisfactory. The Committee thought that they indicated the desirability of effecting an improvement in the present arrangements for watching the progress of expenditure against appropriation, and hoped that it would be possible for the Government of India to effect such improvement in the near future.

59. *Paragraph 13 of the Accountant General's Report.*—The Committee was informed that the report of the special officer deputed to investigate and report on the system of preparing budget estimates by State-worked Railways would be submitted to the Railway Department and be considered by them very shortly.

60. *Paragraph 15, ibid.*—The Committee shared the anxiety of the Auditor General that a speedy improvement should be attained in the Account office. It was told that appreciable improvement had latterly occurred.

61. *Paragraphs 17 and 18, ibid.*—It was explained that Company lines were being persuaded to join the clearing house. The Financial Commissioner promised to circulate a memorandum on the whole subject (*vide* para. 135, *infra*).

62. *Paragraph 21, ibid.*—The Financial Commissioner stated that the Railway Board fully concurred in the remark of the Accountant General as to the necessity for an extension of the scope of Government Examiners' audit and more frequent inspections by them of initial records. The Auditor General explained the action which he was taking in this connection.

63. *Paragraph 24, ibid.*—The Financial Commissioner admitted the seriousness of the cumulative effect of the cases of financial irregularities relating to the B. N. Railway. He stated that the great majority of them were under investigation and preferred not to be examined at present on such cases. The Committee was assured that the next report of the Accountant General would show the result of the special action contemplated. In the circumstances, the Committee decided not to pursue the irregularities, relating to this particular railway, which have been set forth in the present report.

64. *Paragraph 48, ibid.*—With reference to the comparatively small ratio of the expenditure on replacements and renewals to gross earnings on the Bengal Nagpur Railway, it was explained that the Railway Board had taken up the question with the Railway Company and that Government's power in this connection was necessarily restricted by the terms of the contract.

65. *Paragraph 13 of the Auditor General's letter.*—With reference to the fact brought out by the Auditor General, *viz.*, that a large number of irregularities occur in connection with contracts and the dealings of departmental officers with contractors, the Chairman pointed out that the Government of India had already accepted the principles suggested by the Public Accounts Committee last year, and that the question of issuing rules to regulate the control of contracts was under their consideration. The Committee desired that these general rules should also be applied to railways as far as possible.

66. *Paragraphs 14-15, ibid.*—The Committee thought that the Government of India should consider whether the risk of irregularities in connection with the taking of measurements and the upkeep of measurement books and other initial accounts could not be reduced by the issue of general instructions explaining the fundamental importance of these documents, and impressing upon all officers the desirability of observing the rules relating thereto. The same remark applied also to irregularities arising from a disregard of the financial interests of the railways, and the adoption of irregular procedure with a view to evading audit objections.

67. *Paragraph 60 of the Accountant General's report.*—It was explained that the delay in the accounting of salaries and the omission to make the requisite provision in the original estimate were due to an error on the part of two Accounts officers, and that steps would be taken to prevent a recurrence of such irregularities.

68. At this stage the Committee adjourned for lunch till 2-30 p.m.

Proceedings of the Sixth Meeting of the Public Accounts Committee, held on Saturday, the 18th August 1928, at 2-30 p.m.

PRESENT :

[As at the 5th Meeting.]

69. The Committee resumed the consideration of the Railway Appropriation Accounts and the Accountant General's report thereon.

70. *Paragraphs 63—65 of the A. G.'s report.*—The Committee desired that steps should be taken to keep a careful watch on the progress of expenditure, as also on probable liabilities.

71. *Paragraph 68, ibid.*—The Financial Commissioner admitted that the case dealt with in this paragraph had not been properly handled, but that action was being taken with a view to amending the form of agreement so as to prevent claims of the kind in future.

72. *Paragraphs 71-72, ibid.*—The Financial Commissioner explained how the additional allotments in these cases happened to be made, and stated that normally such allotments are made only on the specific requests of Railway Administrations.

73. *Paragraphs 74-75, ibid.*—The Committee was gratified to note the further substantial decrease in payments for goods lost or damaged. A statement of the number of actual claims which was subsequently produced, showed that there had been a considerable decrease in these also.

74. *Paragraph 82, ibid.*—The Committee endorsed the remarks of the Accountant General and the Auditor General that accounts should always represent facts, and that a mis-classification of expenditure with a view to evading detection of an irregularity is a serious matter.

75. *Paragraph 92, ibid.*—The loss in connection with certain stores brought out in this paragraph was explained as having been the result of a change in policy. The Committee was assured that the question of improving the procedure would be considered in connection with Sir Arthur Dickinson's Report.

76. *Paragraph 97, ibid.*—In the first of the two cases of defective agreements noticed in this paragraph, the Financial Commissioner explained that there was actually no loss. It was hoped that cases of the kind would not recur in future in view of the principles already accepted by the Government of India, one of which was that the conditions of contract must be clear and definite.

77. *Paragraphs 101 and 112, ibid.*—It was explained that, when the system of lump cuts was first introduced on the railway side, the Railway Administrations were deliberately encouraged to spend without reference to such cuts, and that this was the first occasion when the system of over-allotment had led to an excess.

78. *Paragraph 102, ibid.*—The Financial Commissioner pointed out that the additional allotments referred to by the Accountant General had not really been made, and that the remark was due to a mis-apprehension.

79. *Paragraph 104, ibid.*—The Committee considered at some length the question raised by the Auditor General whether the new construction works, referred to in this paragraph, should not have been regarded as "New services not contemplated in the Budget", within the meaning of Rule 50 of the Indian Legislative Rules. The Auditor General agreed to inform the Committee later how similar cases were dealt with according to the English practice (*vide para. 294, infra*).

80. *Paragraph 106, ibid.*—The Financial Commissioner agreed with the Auditor General that the 2nd Executive Engineer apparently misrepresented facts in this case. He stated that the officer was no longer in service.

81. *Paragraph 109, ibid.*—The Committee was informed that the contractor in question had been debarred from further employment.

82. *Paragraph 110, ibid.*—It was explained that, having regard to the terms of the agreement, the case was really not one of over-payment, and that there was no case for disciplinary action.

83. *Paragraph 115, ibid.*—The Financial Commissioner stated that Railway Administrations had no power to make transfers between the Indian and English portions of the grants without the sanction of the Railway Board, and that the procedure adopted was in accordance with the principles accepted by the Committee last year.

84. *Paragraph 117, ibid.*—It was stated that in this case the allotment had been made in anticipation of savings; and that, in accordance with

the procedure approved by the Committee last year, savings were not being actually withdrawn.

85. *Paragraph 118, ibid.*—The Committee was informed that no decision had yet been arrived at on the recommendations of the State Railway Workshop Committee referred to in this paragraph.

86. *Paragraph 119, ibid.*—With reference to the Accountant General's remarks regarding the financial implications of contracts which provided for actual cost *plus* a certain percentage on account of profit, it was explained that normally no contractors of standing would take advantage of the terms so as to enhance the cost with a view to increasing their percentage of profit, as this would necessarily lead to loss of custom. The Committee did not desire to make any remarks on the point, but hoped that, if experience proved that the system was working against the financial interests of Government, the Accountant General would bring the cases to notice in future reports.

The Committee agreed with the Accountant General and the Auditor General that conditions of contracts should be settled and reduced to writing before the works are started and that once a contract is signed, departures from its terms should rarely, if ever, be permitted.

87. *Paragraphs 121 and 236 (iv), ibid.*—On the question of the inclusion of the balances of materials lying unused at the site of works in the annual return of stores, the Financial Commissioner informed the Committee that a decision had been held up in connection with the consideration of Sir Arthur Dickinson's Report, but that he hoped to be able to issue instructions before the end of the month.

88. *Paragraph 128, ibid.*—It was stated that, as a matter of fact, no firm offer had been received for the purchase of the building at Nagpur. The Committee desired that early steps should be taken to dispose of the building.

89. *Paragraph 129, ibid.*—The Financial Commissioner explained that the contractor, who was guilty of fraud in this particular case, had fulfilled previous contracts to the satisfaction of the Engineers. He promised to ascertain whether the defect in the shipping arrangements was due to a defect in the contract itself, and when exactly the fraud came to light.

90. *Paragraph 130, ibid.*—The Financial Commissioner agreed that vacuum brake fittings should not have been stripped off the wagons if the wagons so fitted were wanted elsewhere, and said that instructions had been issued to other Railway Administrations with a view to making the best possible use of the material.

91. *Paragraph 133, ibid.*—The Financial Commissioner stated that the loss was due to a fault in the design of the traversers, for which the makers were not responsible.

92. *Paragraph 148 (i), ibid.*—The Committee was informed that the Agent was competent to sanction the new works in question within the

limits of his own powers, and that the revised estimates, which had been sanctioned long after they were prepared, proved seriously in excess owing partly to a subsequent decrease in rates, and partly also to an attempt made to reduce the cost.

93. *Paragraph 152, ibid.*—It was explained that the clerk responsible for the omission had a large amount of work, and that this was his only mistake ; and that, in the circumstances, no further disciplinary action was considered necessary.

94. *Paragraph 153, ibid.*—It was explained that in this case there was no intention to defraud the Railway, and that requisite instructions had been issued with a view to preventing irregularities of the kind.

95. *Paragraph 156, ibid.*—The Financial Commissioner stated that this was not a case of irregular allocation in order to avoid an audit objection, but that two works had been started in anticipation of the framing of estimates as they were both urgent ; that it was expected that only one estimate would have to be framed, but that, as a matter of fact, two were framed later, with consequent readjustments.

96. *Paragraph 158 (1), ibid.*—The Committee was told that, of the clerks responsible for the irregularities, one was dismissed and others were warned.

97. *Paragraph 159, ibid.*—The Committee was informed that in this case most of the defects had already been remedied, and that the remaining ones would be remedied in the near future.

98. *Paragraph 160, ibid.*—It was explained that the quarters had been constructed and were being used mostly for departmental labour, and that only a small proportion was being used for contractor's labourers ; that it was economical for the Railway to house these men, as otherwise the contractor's rates would have to be increased, and that the concession was not being allowed except with reference to such rates.

99. *Paragraph 161 (a), ibid.*—It was stated that the omission to enforce penalty according to agreement related only to one Division ; and that, as a rule, penalties were enforced.

100. *Paragraph 161 (b), ibid.*—The Auditor General promised to instruct the Chief Auditor to bring to notice in future reports, irregular concessions granted to contractors.

101. *Paragraph 163, ibid.*—The Committee agreed with the Auditor General that it was undesirable to employ staff on duties other than those for which they were sanctioned. It was informed that the Agent had already issued instructions in the matter.

102. *Paragraph 164, ibid.*—It was explained that the previous practice of having a standing imprest of ten lakhs of bricks at Lucknow had since been given up, and that the case might be considered as closed.

103. At this stage the Committee adjourned till 11 A.M., on Monday, the 20th August 1928.

Proceedings of the Seventh Meeting of the Public Accounts Committee,
held on Monday, the 20th August 1928, at 11 a.m.

PRESENT :

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|--|---|-------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | } | <i>Members.</i> |
| 2. Mr. S. C. Mitra. | | |
| 3. Mr. Abdul Matin Chaudhury. | | |
| 4. Mr. C. S. Ranga Iyer. | | |
| 5. Mr. T. A. K. Shervani. | | |
| 6. Mr. B. Das. | | |
| 7. Haji Chaudhury Mohammad Ismail Khan. | | |
| 8. Rao Bahadur M. C. Rajah. | | |
| 9. Lieutenant-Colonel H. A. J. Gidney. | | |
| 10. Mr. W. Alexander. |  |  | } | Were also present. |
| 11. Sir Frederic Gauntlett, Auditor General. | | |
| 12. Mr. J. M. Hartley, Accountant General,
Railways. | | |
| 13. Mr. B. Nehru, Assistant Auditor General. | } | <i>Witnesses.</i> |
| Mr. A. A. L. Parsons, Financial Commissioner, Railways. | | |
| Mr. P. R. Rau, Director of Finance, Rail-
way Board. | | |

104. The Committee resumed the further consideration of the Railway Appropriation Accounts and the Accountant General's Report thereon.

105. *Paragraph 168 of the Accountant General's Report.*—It was reported that the irregular practice of appointing labourers as daily-paid clerks had since been stopped.

106. *Paragraph 169, ibid.*—It was explained that in this case also steps had been taken to prevent losses due to the cartage of coal being paid for without weighment.

107. *Paragraph 170, ibid.*—The Financial Commissioner agreed with the Accountant General and the Auditor General that, unless expenditure is recorded by sub-heads of work under each sub-work and the quantities of work estimated for and actually executed are clearly recorded, it is impossible to watch effectively the progress of expenditure and to prevent or anticipate excesses therein. It was explained that necessary steps have been taken in this direction.

108. *Paragraph 171, ibid.*—As regards clause (a), the Financial Commissioner agreed that to book charges against the sanctioned works pending sanction of the work to which the expenditure is correctly debitable, is improper. As regards clause (e), however, he explained that it was not a case of deliberate falsification of dates, the irregularity having arisen from a misapprehension in the Accounts office that bills received up to the 31st March had to be incorporated in the accounts of the closing year. It was explained that requisite instructions had been issued in the matter.

109. *Paragraph 172, ibid.*—On the question of the supply of inferior coal, the Financial Commissioner informed the Committee that there was no stipulation in the contract that coal should be supplied from a particular source, and that, as a matter of fact, the coal supplied was of the burning power contemplated.

110. *Paragraph 174, ibid.*—It was explained that in this case the irregularity was noticed only after the officer at fault had left the service.

111. *Paragraph 175, ibid.*—The Financial Commissioner agreed that it would normally be advantageous to enter into lump sum contracts, and that departures from the terms of contracts should not be sanctioned except by competent authority. It was reported the case was still under investigation. The Committee desired that the Accountant General should bring to notice next year the action taken on cases which had not yet been closed.

112. *Paragraph 176, ibid.*—The Financial Commissioner admitted that it was not businesslike to purchase stores in dribblets in the manner stated in this paragraph, that the remedy was to have annual indents and to place more articles on such indents, which was being done. With reference to the question of purchasing railway stores through the Indian Stores Department, he explained that, in respect of stores which that Department made it its business to purchase, the Railway Department would normally have no objection to hand over the work and, as a matter of fact, had latterly done so to a considerable extent. But it was not worth while handing over the entire work of purchase to the Indian Stores Department when the Railways had themselves a staff for the purpose. The Committee decided to pursue the question with the representative of the Department of Industries and Labour.

113. *Paragraph 177, ibid.*—Here again the Financial Commissioner admitted that the revision of rates was unbusinesslike, but that more could not be recovered.

114. *Paragraph 183, ibid.*—The Committee was informed that the proportion in which the expenditure relating to the Railway Clearing Accounts Office should be borne by the various Railways had since been fixed.

115. *Paragraph 186, ibid.*—The Financial Commissioner stated that the provision in the agreement under which one seer was taken as equivalent to two lbs. was deliberately inserted, as the climate at Quetta was dry and the weight of provisions was, therefore, subject to a slight reduction when transported to that place. He admitted, however, that this was a haphazard way of providing for the reduction in weight, but stated that the agreement had since terminated.

116. *Paragraph 187, ibid.*—The Committee was informed that the over-allotment in question was the result of the omission to withdraw savings, which was in accordance with the plan approved by the Committee last year.

117. *Paragraph 193, ibid.*—As regards the Crew System, the Committee was told that the Railway Board had not come to a final decision ; that the scheme was still in an experimental stage and had to be tried for a longer time and on more railways before it could be adopted as a permanent measure ; that to a large extent it did stop travelling without tickets, but, at the moment, seemed rather expensive, although no statistics could be made available. The Committee desired that the Accountant General might obtain from the Railway Board and give in his report next year figures comparing the expenditure on the Crew System on the lines on which it was in force, with the recoveries made from passengers travelling without tickets.

118. *Paragraph 194, ibid.*—The Committee was informed that the recommendations of the Indian Railway Conference Association regarding the design of railway tickets had since been accepted by the Railway Board.

119. *Paragraph 195, ibid.*—It was stated that the report of the Officer on Special Duty, who investigated the procedure obtaining in Departmental offices, had since been submitted and was under consideration.

120. *Paragraph 211, ibid.*—With reference to the inadequacy of disciplinary action referred to by the Accountant General in this case, the Financial Commissioner explained that the Railway Administration could not prove definitely that particular individuals were guilty, that the Railway Board had accepted that view and that, in the circumstances, the action should not be considered as having been inadequate.

121. *Paragraph 222, ibid.*—The Committee was informed that the agreed amount had probably not been recovered.

122. *Paragraph 224, ibid.*—The Committee was told that the procedure in the Chief Mechanical Engineer's Office had since been improved.

123. *Paragraph 228, ibid.*—It was stated that a new procedure had since been established with a view to seeing that the verification was properly carried out.

124. *Paragraph 230, ibid.*—The Committee was informed that the defects noticed in regard to the check of the opening numbers of tickets had since been remedied; and that there had latterly been considerable improvement in the matter.

125. *Paragraph 232 (a), ibid.*—The Financial Commissioner explained that formerly the check of invoices and overcharge returns was only a test check, and that since then additional checkers had been put on to the work, and it had been arranged that supervising officers would review a portion of each man's work in future.

126. *Paragraph 233 (vi), ibid.*—The Committee was told that the Firm's guarantee had since been obtained in the form recommended by the Railway Board.

127. *Paragraph 234, ibid.*—As regards item (1) the Committee was informed that nothing could be proved against the officer concerned, who had since retired, and that no action could be taken against him for this reason among others. As regards item (11), the Financial Commissioner admitted that the status of the contracting firm had not been properly

ascertained, and that it went out of existence almost immediately after the contract was given out ; the Accountant General explained that the procedure had since been changed and that a railway cashier would be present at every auction and receive the sale proceeds. The Committee desired that the Financial Commissioner might ascertain the rules which were in force on the Army side, with a view to their being adopted if necessary. As regards item (13) relating to the question of investment of balances in the Depreciation and Reserve Funds, it was explained that the matter was still under consideration.

128. *Paragraph 235, ibid.*—The Committee was assured that the requisite action had been taken in most of the cases referred to, and that similar action was being taken as regards the few remaining ones.

129. *Paragraph 236, ibid.*—As regards item (viii) the Financial Commissioner explained that he was not anxious to adopt in regard to establishment charges the system of making a lump cut under the grant as a whole, but preferred to make the cuts, where necessary, under individual heads. As regards item (x), it was stated that the absence of co-ordination between estimating and accounting officers was receiving careful attention, and would be watched from year to year.

130. *Paragraph 237, ibid.*—As regards item (9) relating to the form of the Demands for Railway Grants (*vide* item 24 of Appendix II), the Financial Commissioner explained that his practice was to place the whole Railway Budget before the Railway Standing Finance Committee before it was put before the Assembly ; that the work was done under very great pressure ; that the documents were already complicated enough, and that it was really a question of putting the material into a more handy form. A decision had to be postponed pending the deliberations of the Committee which is to examine the question of separation of Railway accounts from audit.

As regards item (17), which referred to the effect of reduction in passenger rates, it was stated that it was not possible to be quite conclusive on the point, though the general conclusion was that a reduction of passenger fares, when it is substantial, has the effect of increasing railway earnings.

131. *Paragraph 96 of the Auditor General's letter.*—It was explained that the heavy savings referred to here were with reference to the gross amounts and did not allow for the lump cuts, which, on the whole, were fairly accurate.

132. *Paragraphs 129 and 130 of the Auditor General's letter.*—With reference to the Auditor General's observations regarding defective budgeting generally, the Financial Commissioner admitted that the budgetary arrangements, especially on the North-Western Railway, were not quite satisfactory, but hoped that there would, probably, be considerable improvement in the matter when the Railway Board had an opportunity of considering the report of the special officer deputed to investigate and report on the system of preparing budget estimates.

133. The Committee then went through the various Appropriation Accounts and obtained the requisite explanations from the Financial Commissioner.

134. The question of carrying lump sum cuts down to detailed heads, referred to in paragraph 4 of the Finance Department Resolution of the 5th January 1928, was then discussed. The Financial Commissioner stated that lump cuts were being made only in capital grants ; that in 1927-28 expenditure had actually exceeded the grants, and that he was trying to get the Agents to make closer estimates as far as possible, and hoped that the necessity for lump cuts would gradually be reduced.

135. The Committee then discussed the memorandum on the Railway Clearing Accounts Office (Appendix XII) which was presented by the Financial Commissioner with reference to paragraph 61 of these proceedings.

136. The Committee then adjourned for lunch till 2-30 P.M.

**Proceedings of the Eighth Meeting of the Public Accounts Committee,
held on Monday, the 20th August 1928, at 2-30 p.m.**

PRESENT :

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|---|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | } <i>Members.</i> |
| 7. Haji Chaudhury Mohammad Ismail Khan. | |
| 8. Rao Bahadur M. C. Rajah. | |
| 9. Lieutenant-Colonel H. A. J. Gidney. | |
| 10. Mr. W. Alexander. | |
| 11. Sir Frederic Gauntlett, Auditor General. | |
| 12. Mr. J. E. C. Jukes, Controller of Civil Accounts. | |
| 13. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 14. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | } <i>Were also present.</i> |
| 15. Mr. D. C. Campbell, Director of Commercial Audit. | |
| 16. Mr. P. N. Mukherji, Audit Officer, Indian Stores Department. | |

Mr. A. H. Lloyd, Member, Central Board of Revenue, *Witness.*

137. The Committee took up the consideration of the Appropriation Accounts relating to the Central Board of Revenue, together with the

relevant paragraphs of the Report of the Accountant General, Central Revenues, and of the Auditor General's letter in that connection.

Grant 16—Customs.

138. *Paragraph 35 of the Accountant General's Report.*—Mr. Lloyd explained that this was the second Budget which the Central Board of Revenue had to prepare, and that, so far as they were concerned, lump cuts had not then been introduced. He hoped that later years would show considerable improvement. As regards control of expenditure, he stated that the Board had issued a circular on the subject in May 1927, that the position had since improved, and that the question of the desirability of having Pay and Accounts officers for all Departments under the Board was being considered.

Paragraph 129, ibid.—As regards item 8 relating to the internal check on customs receipts, it was explained that the Board had submitted proposals to the Government of India, who considered them as being expensive and had returned them to the Board for re-consideration.

Grant 17—Taxes on Income.

139. *Pages 119—121, ibid.*—Here again Mr. Lloyd explained that the lump cuts had since been introduced, and that the position would normally show an improvement in the future.

Grant 18—Salt.

140. *Paragraph 39, ibid.*—With reference to the Profit and Loss accounts relating to the Northern India Salt Revenue Department, Mr. Lloyd explained that, in principle, the Department should be self-supporting, but that prices could not be altered every year with reference to the cost of production as ascertained from time to time, but that they had to be fixed with reference to the normal or average cost of production over a series of years. The Committee desired that the figures of the Profit and Loss accounts for two successive years should be incorporated in future Appropriation Accounts, as also a statement for a series of years showing the quantity produced and the cost of production at different sources.

141. *Paragraph 41, ibid.*—The Director of Commercial Audit explained that, while the Trading and Profit and Loss Accounts showed the results of a single year, the Balance Sheet exhibited the cumulative results and was very useful. The Committee understood that a balance sheet was actually prepared by the Director, and, that being the case, it desired that it should be incorporated in future Appropriation Accounts.

142. *Paragraph 42, ibid.*—The Committee was informed that the facts case did not indicate inadequate knowledge of the progress of

expenditure or lack of control over expenditure, but a mistake in the Commissioner's office, which overlooked the deduct entry in making re-appropriations and surrenders. The Committee was told that the Commissioner's attention had been drawn to this.

143. *Paragraph 43, ibid.*—It was explained that the orders of the Government of India did indicate the apparent primary cause of the loss, viz., the incorrect specification, by reference to earlier correspondence, though not specifically.

144. *Paragraph 45, ibid.*—Mr. Lloyd explained that final measurements could not be taken until the works were completed and that delay in the completion of works was often inevitable.

145. *Pages 122—135, ibid.*—The Committee went through the Appropriation Accounts and obtained the requisite explanations. Mr. Lloyd stated that, as in the case of the previous two Demands, the principle of the lump cut had since been extended to "Salt" as well.

146. *Page 127, ibid.*—With reference to the Auditor General's point whether new works of the magnitude of those detailed here should not be considered as "new services not contemplated in the Budget", the Committee considered that, neither the safeguarding of a source of revenue (items 6 and 7) nor the substitution of one instrument of service for another (item 8), could be considered to be a new service. The question in so far as it related to item 9 was reserved for further consideration. The Chairman explained that the Government of India were taking steps to amend the Indian Legislative Rules with a view to enabling token votes to be obtained in respect of expenditure required for new services when such expenditure could be met by re-appropriation.

147. *Page 131, ibid.*—With reference to the remark that no verification of the stock of salt was made by departmental authorities by physical stock-taking, Mr. Lloyd explained that stock-taking of uncleared salt by actual weighment would be far too expensive even if it was possible and that the Department was therefore concentrating upon checks on delivery into stock, speedy clearance of salt, and estimation of stocks by external measurements, wherever practicable.

148. *Page 135, ibid.*—The Committee was informed that the Central Board of Revenue had since laid down a programme of manufacture with a view to reducing the stocks at Bombay to about one year's consumption, which represented the extent of normal stocks.

149. *Appendix II, Item 1.*—The Committee then discussed the memorandum presented by the Central Board of Revenue (Appendix V) regarding the results of the Electrification Scheme at Khewra with reference to paragraph 28 of the Committee of last year. The discussion had not yet terminated when the Committee adjourned till 11 A.M., on Tuesday, the 21st August 1928.

Proceedings of the Ninth Meeting of the Public Accounts Committee held on Tuesday, the 21st August 1928, at 11 a.m.

PRESENT :

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|---|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra. | <i>Chairman.</i> |
| 2. Mr. S. C. Mitra. | } <i>Members.</i> |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | |
| 7. Haji Chowdhury Mohamunad Ismail Khan. | |
| 8. Rao Bahadur M. C. Rajah. | |
| 9. Lt.-Col. H. A. J. Gidney. | |
| 10. Mr. W. Alexander. | } <i>Were also present.</i> |
| 11. Sir Frederic Gauntlett, Auditor General. | |
| 12. Mr. J. E. C. Jukes, Controller of Civil Accounts. | |
| 13. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 14. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | |
| 15. Mr. B. Nehru, Assistant Auditor General. | } <i>Witnesses.</i> |
| Mr. J. L. Sale, Chief Engineer, Delhi P. W. D. | |
| Mr. D. Macfarlane, Superintending Engineer, Simla Imperial Circle. | |

150. The Committee took up the consideration of the Appropriation Accounts relating to the Department of Industries and Labour.

Grant 22.—Irrigation, etc., charged to Revenue.

151. *Page 161 of the Accountant General's Report.*—The Committee was informed that instructions had since been issued with a view to making budget provision on the basis of actuals and not on average rates of pay.

152. *Page 162, ibid.*—The Accountant General explained that it had since been arranged with the High Commissioner that a distribution of English charges should be made by circles of account.

153. *Page 163, ibid.*—The Committee was informed that the system of lump cuts had since been extended to this grant also.

154. *Page 164, ibid.*—It was explained that the establishment charges appeared disproportionately high as compared with the works charges for the reason that the canals were working canals and works expenditure did not entirely represent the cost of construction, and further that the share of establishment charges was calculated with reference to the established rules. The Committee left it to the Auditor General to initiate the question of reconsideration of the system of *pro-rata* distribution of establishment charges.

With reference to the Accountant General's remarks relating to the preparation of Part II-A of the Demand for this Grant, the Committee of the case that steps had been taken to prevent a recurrence of similar errors.

Grant 69.—Civil Works.

155. *Paragraphs 72-73, ibid.*—The Committee was informed that the question of issuing supplementary and financial rules as well as administrative orders under the Fundamental Rules relating to the provision of residences for Government servants was still under the consideration of Government, and that the analogous question relating to the provision of residences for members of the Indian Legislature in Simla was under correspondence with the Secretary of State.

156. *Paragraph 74, ibid.*—The Committee endorsed the decision of the New Capital Committee that the question of the adequacy of rents charged for Government residential buildings in Delhi should be reviewed after another year.

157. *Paragraph 75, ibid.*—The Committee was informed that the surplus furniture in question would be required for furnishing additional quarters for members of the Legislature, and that there was, therefore, no question of its disposal.

158. *Paragraph 76, ibid.*—It was stated that no decision had yet been reached on the question of the incidence of the expenditure on the residences and furniture of His Excellency the Commander-in-Chief.

159. *Paragraph 77, ibid.*—The Committee was told that it had since been decided to recover from Commercial Departments, with effect from the 1st April 1929, rent in respect of office buildings supplied to them by the Public Works Department, and that the analogous question of recovering from those Departments the loss incurred in connection with residential buildings had been referred to the Departments of the Government of India for their observations. The Committee expressed the hope that early orders would be issued in this latter case as well.

160. *Paragraph 123 (3), ibid.*—The Committee had no comments to make at this stage on the form of the statement of expenditure on important new works appearing on pages 342 to 352 of the Report.

161. *Page 338, ibid.*—It was explained that the considerable savings on the total voted appropriation under this Grant were largely due to the fact that certain items of expenditure had been transferred from the voted to the non-voted category during the course of the year, *e.g.*, expenditure relating to ecclesiastical works amounting to about Rs. 7½ lakhs, travelling allowance of officers whose pay was non-voted, etc.

162. *Page 339, ibid.*—With reference to the question raised by the Auditor General, namely whether expenditure on a new service not contemplated in the Budget could properly be incurred out of the provision made in the Budget under the head "Reserve" in the Civil Works Grant, the Chairman explained that the question had been raised in paragraph 51 of the Report of the Public Accounts Committee on the accounts of 1923-24, and that, in paragraph 28 of the Finance Department Resolution of the 1st June 1926 on that Report, it had been decided that allotments from the reserve should not be made except to cover lapses in grants in previous years.

163. *Page 353, ibid.*—As regards stocks which were in excess of actual requirements, it was explained that efforts had been made to sell them by auction, but that no satisfactory prices were forthcoming, and that, in the circumstances, the stocks were being worked off as opportunity arose.

Grant 91.—Delhi Capital Outlay.

164. *Paragraph 98, ibid.*—The large savings in the total net grant were explained as having been due partly to changes of policy or of allocation, partly to legal difficulties and partly also to the desire not to hamper the progress of the work as a result of want of funds in view of the fact that the contract with the architects was terminating shortly. As regards control of expenditure, it was stated that payments were made by cheques, so that there was no difficulty about the watching of cash transactions. The real difficulty was in connection with the watching of liabilities, and in this respect a detailed circular letter has since been issued, and additional staff has been provided and suitable registers have been prescribed with a view to facilitating control of expenditure. The Accountant General was requested to notice in the Report for the year 1928-29 how far improvement had taken place.

165. *Paragraph 99, ibid.*—The Committee was informed that stocks had been reduced from about Rs. 43 lakhs on the 31st March 1924 to about Rs. 18 lakhs on the 31st March 1928; that the loss expected to be incurred in connection with the disposal of surplus stores was about Rs. 12½ lakhs, but that, having regard to the fact that Government had made money in this connection in other directions, there was really no loss on the whole. It was also explained that some of the losses were not due to defective supervision or defective custody, but to defective contracts, as also to want of adequate arrangements for accounting. In view of the action which the Government of India were taking in regard to the control of contracts generally, the Committee did not consider it necessary to pursue the matter, but expressed the hope that care would be taken not to incur expenditure on stores, much in advance of actual requirements, if such expenditure was likely to prove unprofitable to Government. The Committee was assured that action was being taken on the lines suggested in paragraph 121 of the Auditor General's letter forwarding the Appropriation Accounts of the Central Government (Civil) for the year 1925-26.

166. *Paragraph 102, ibid.*—The Committee expressed the hope that the Capital and Revenue accounts of residential buildings in New Delhi would be prepared as soon as possible.

167. *Paragraph 103, ibid.*—With reference to the Orthodox Bachelor Clerks' Quarters at New Delhi, it was admitted that the cost of construction was excessive in comparison with the probable return, but that they were being let out in the best way possible having regard to circumstances.

168. *Paragraph 104, ibid.*—The Committee considered at length the Memorandum (Appendix IX) furnished by the Auditor General regarding the loss or risk of loss in connection with the collection of marble in New Delhi. It agreed that the contract was most unbusinesslike, and that, if similar defects should be noticed in contracts in future, steps should be taken forthwith to revise them in a suitable manner.

169. The Committee then adjourned for lunch till 2-15 P.M.

Proceedings of the Tenth Meeting of the Public Accounts Committee held on Tuesday, the 21st August 1928, at 2-45 p. m.

PRESENT :

1. The Hon'ble Sir Bhupendra Nath Mitra.

Chairman.

2. Mr. S. C. Mitra.

3. Mr. Abdul Matin Chaudhury.

4. Mr. C. S. Ranga Iyer.

5. Mr. B. Das.

6. Haji Chowdhury Mohammad Ismail Khan.

7. Rao Bahadur M. C. Rajah.

8. Lt.-Col. H. A. J. Gidney.

9. Mr. W. Alexander.

Members.

10. Sir Frederic Gauntlett, Auditor General.

11. Mr. J. E. C. Jukes, Controller of Civil Accounts.

12. Mr. G. Kaula, Accountant-General, Central Revenues.

13. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department.

14. Mr. P. N. Mukherji, Audit Officer, Indian Stores Department.

Were also present.

Mr. J. L. Sale, Chief Engineer, Delhi P. W. D.

Lt.-Colonel F. C. Shelmerdine, Director, Civil Aviation.

Lt.-Col. K. M. Kirkhope, Chief Controller of Stores.

Mr. S. Lall, Deputy Secretary, Department of Industries and Labour.

Mr. Tin Tut, Under Secretary, Department of Industries and Labour.

Witnesses.

170. The Committee resumed the discussion of the Appropriation Accounts relating to the Department of Industries and Labour.

Grant 91—Delhi Capital Outlay—contd.

171. *Paragraph 105 of the Accountant-General's Report.*—The Committee was informed that the departure from the terms of the original contract in this case was connected with the transactions of an Indian State. In the circumstances it did not desire to pursue the matter.

172. *Paragraph 106 ibid.*—The discrepancies in the accounts of bricks were stated to be due to mistakes in the preparation of the Stock account and had since been cleared up. It was also stated that the deficiency in the quantity of ballast had since been made good by the contractor.

173. *Paragraph 108 ibid.*—Mr. Rajagopalan explained that, as Finance member of the New Capital Committee, he always tried to ensure that audit objections received prompt attention. The Committee desired, however, to emphasise the importance of taking general action, which would ensure their prompt disposal.

174. *Paragraph 131 ibid.*—The action taken with reference to items (3), (12) and (13), which had been outstanding from the Audit and Appropriation Accounts for 1924-25, was explained to the Committee.

175. *Page 579 ibid.*—The Committee was informed that all certificates relating to verification of stores had been received from the executive officers concerned.

Grant 60—Aviation.

176. Colonel Shelmerdine gave the Committee the information which certain members asked for on points connected with aviation generally.

Grant 39—Department of Industries and Labour.

177. *Paragraph 57 of the Accountant-General's Report.*—The Committee was assured that steps had been taken to remedy the defects in the administration of the Grant noticed in this paragraph.

178. *Page 194 ibid.*—It was pointed out by the Auditor-General that the savings in this Grant, as also in the other Grants relating to General Administration, were partly due to the inclusion in the budget of provision for conveyance allowance from Raisina to Old Delhi which became unnecessary owing to the location of the Secretariat at New Delhi during the year.

Grant 47—Meteorology.

179. *Page 221 ibid.*—It was explained that the system of lump cuts had since been extended to this Grant.

Grant 62—Emigration Internal.

180. *Page 300 ibid.*—It was explained that the excess under this Grant was a very small one and was due to the late receipt by the Department of information relating to the promotion and leave allowances of certain officers. It was decided to examine the Financial Secretary on the question of the omission to regularise the allotment made from the reserve at the disposal of the Finance Department by presenting a supplementary demand to the Legislative Assembly.

Grant 66—Indian Stores Department.

181. *Page 309 ibid.*—The Committee was informed that the excess under "Inspection Circles—Supplies and Services" was due to the change in classification referred to by the Accountant-General, which was decided upon in October 1926. It desired to reiterate the principle accepted by the Government of India as early as 1924 that no change in classification should ordinarily be brought into effect except at the beginning of a financial year if such change will have the effect of accounting for expenditure under a head other than that in which funds have been provided for it.

182. The Committee then proceeded to discuss at some length the question of co-ordination of purchases for various Departments and making the Indian Stores Department self-supporting (*vide* paragraphs 20 and 21 of the Report of last year, and paragraph 15 of the Finance Department's Resolution thereon). It was gratified to hear that the loss on the working of the Department in 1927-28 would be only about half a lakh of rupees. It was informed that the purchases of the Department for the Railways, which had hitherto stood at about

Rs. 75 lakhs per annum, would be increased to about Rs. 2 $\frac{1}{4}$ crores under the arrangements recently arrived at with the Railway Department. On these purchases the Department would receive a commission of 1% for the first 175 lakhs, $\frac{3}{4}$ % on the next 25 lakhs and $\frac{1}{2}$ % on any excess over these amounts, the percentage being exclusive of any charge for tests and inspection and the whole position being subject to review after a period of 3 years. It was also stated that the Army Department, which hitherto had been the biggest customer, gave the Indian Stores Department orders to the extent of about Rs. 1 $\frac{3}{4}$ crores per annum. The Committee desired that, as in the case of the Northern India Salt Revenue Department, the net results of the Profit and Loss accounts should be shown in the Appropriation Accounts for a period of two successive years. The members also desired that copies of the Administration Report of the Indian Stores Department, as also of similar other Reports which were likely to be useful in the course of their deliberations, should be supplied to them in future.

Grant 71—Stationery and Printing.

183. *Paragraph 83 of the Accountant-General's Report.*—The Committee was informed that the amalgamation of the Simla Central Press and the Mono-type Press was under consideration in 1923 when the supply of the spare parts in question had already started and could not be stopped.

184. *Page 361 *ibid.**—The large savings in the provision in the Grant for "Stationery Office—Supplies and Services" were accounted for by the fact that, under the procedure in force at the time when the budget was framed, the cost of production of railway tickets was being paid for by the Stationery Office in the first instance and eventually recovered from the Railways. As a matter of fact, however, Railways, with one exception, made direct payments with the result that the greater portion of the provision was not utilized. The matter was presumably being discussed during the course of the year 1926-27 and orders regarding direct payment were actually issued in July 1927.

185. This closed the examination of the Appropriation Accounts relating to the Department of Industries and Labour, and the Committee resumed the discussion of the Memorandum presented by the Central Board of Revenue (Appendix V) regarding the results of the Electrification Scheme at Khewra (*vide* paragraph 149 of these proceedings). It finally decided that the matter need not be investigated further, but desired that in future, whenever a scheme of importance is taken up, careful attention should be paid to the probable increase in the extent of output and also in the cost of production.

186. The Committee then adjourned till 11 A.M. on Wednesday, the 22nd August 1928.

Proceedings of the Eleventh Meeting of the Public Accounts Committee held on Wednesday, the 2nd August 1928, at 11 a. m.

PRESENT :

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|--|----------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, | Chairman. |
| 2. Mr. S. C. Mitra. | } Members. |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | |
| 7. Haji Chowdhury Mahammad Ismail Khan. | |
| 8. Rao Bahadur M. C. Rajah. | |
| 9. Lieutenant Colonel H. A. J. Gidney. |  | } Were also present. |
| 10. Mr. W. Alexander. | |
| 11. Sir Frederic Gauntlett, Auditor General. | |
| 12. Mr. J. E. C. Jukes, Controller of Civil Accounts. | } Were also present. |
| 13. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 14. Mr. B. Nehru, Assistant Auditor General. | } Witnesses. |
| Mr. K. Sanjiva Row, Assistant Secretary, Foreign and Political Department. | |
| Rai Sahib Chuni Lal, Foreign and Political Department. | |
| Rai Sahib Rama Nand, Foreign and Political Department. | |

187. The Committee took up the consideration of the Appropriation Accounts relating to the Foreign and Political Department.

Grant 30—Foreign and Political Department.

188. *Paragraph 54 and page 179 of the Accountant General's Report.*—It was explained that the expenditure in March actually turned out to be larger than was anticipated at the time the surrenders were made. The Committee was not satisfied as to the reasons which led to the excess under "Allowances," and desired that the Department should make adequate arrangements to control expenditure against the grant and to obtain additional grants, if necessary, in good time.

Grant 75—North-West Frontier Province.

189. *Page 415, ibid.*—The Committee was informed that the decision to make a grant-in-aid to the new Provincial Hospital at Peshawar was arrived at in June 1926. The Committee agreed that under the Auditor General's interpretation of the term 'New service not contemplated in the Budget,' this grant-in-aid should be treated as such, but left over the general question for further consideration.

190. *Page 41^o ibid.*—It was explained that in this case the orders of the Government of India regarding the arrear payment of overhead charges on stamps were issued during the course of the year 1926-27.

191. *Pages 421 and 427, ibid.*—The Committee considered that the question whether provision should or should not be made for annual increments in the Budget was a debatable one in view of the over-estimating usually noticed under establishment charges. The Auditor General stated that he was awaiting a decision of the Government of India in the matter.

192. *Page 428, ibid.*—As regards the excess under “Arms and ammunitions,” it was explained that the Departmental figures and the Accountant General’s figures did not agree, but the Committee desired that the liabilities should be carefully watched. As regards the excess under ‘Contingencies’ which arose from the fact of the provision for certain works having been made under a different head, the Committee wished to draw attention to the instructions contained on the subject in paragraph 17 of the Finance Department Resolution of the 5th May 1927.

193. *Para. 131 (25), ibid.*—The Committee was informed that disciplinary action had since been taken against the officers through whose lack of supervision the mis-appropriation was rendered possible in this case.

76--Baluchistan.

194. *Para. 85, ibid.*—With reference to the suggestion made in audit that collection should be required to be directly deposited in the Treasury, it was explained that the distances were great and the people backward; so that, if the money was not received when it was tendered, there was the possibility of its not being paid to Government at all. The question of revising the procedure was nevertheless under consideration of the Local Administration.

195. *Page 444, ibid.*—The heavy expenditure on account of entertainment charges on the occasion of Sir Frederick Johnston’s impending departure from Baluchistan was explained as having been necessary in accordance with tribal custom, and that the departure of the officer had not been foreseen at the time of the Budget.

78--Ajmer-Merwara.

196. *Pages 478-479, ibid.* - With reference to certain variations noticed here, it was stated that there were differences between the figures of the controlling and accounts officers, and that a system of reconciliation had been introduced with effect from the year 1927-28.

Political.

197. *Paragraph 94, ibid.*—The Committee was informed that the question of the audit of secret service expenditure was engaging the attention of the Government of India, and that a Despatch on the subject was expected to be issued to the Secretary of State in a month or two.

198. *Paragraph 95, ibid.*—The Committee was informed that the Residency building at Gwalior was constructed more than 15 years ago, and the concessional rate of rent was due to the fact that the building includes a large Durbar room intended mainly for public purposes.

199. *Paragraph 131, ibid.*—The position as regards the outstanding item relating to the Foreign and Political Department was explained as follows:—

Item (9).—The claim against the Persian Government is still under discussion between them and His Majesty's Government.

Item (10).—The outstandings against the Indian States have been considerably reduced, although satisfactory accounts are not yet being received from one of them.

Item (11).—Most of the claims against Foreign Governments in respect of subjects interned at Ahmedabad during the War have been settled, while others are under correspondence between the Secretary of State and His Majesty's Government.

Territorial and Political Pensions.

200. *Page 542, ibid.*—The excess under "Nizam Family Pensions" was accounted for by heavy arrear payments in two Provinces. The expenditure was being watched by the Accountant-General concerned.

Western India States Agency.

201. *Page 556, ibid.*—The excess under "Allowances" was due to expenditure on passages, some of which could not be foreseen in time, and there was also a change in the classification during the course of the year. That under "Establishment charges recovered from other Governments, etc." arose from the fact that the Agency Office, which had been formed only in 1925, was under the erroneous impression that an additional grant was not necessary to cover an excess caused by short recoveries. The Committee was informed that necessary instructions had since been issued in the matter.

202. *Paragraph 129 ibid.*—With reference to item (17) relating to the question whether the staff of the Aitchison College, Lahore, should be treated as on foreign service, it was stated that in the analogous case of the Rajkumar College, Rajkot, (item 8 in paragraph 130 of the Report) the staff was stated to have been treated as on regular foreign service, and that the point would be pursued with the Accountant-General.

203. The Committee then considered paragraph 19 of the Home Auditor's Report upon the accounts of the Secretary of State. It was informed that the refugees in question had found their way into India from various quarters, that the absence of information as to their nationality had led to the accounts of expenditure being kept together for all nationalities, which in turn resulted in delay in the settlement of the claims with certain of the Foreign Governments concerned, and that the matter was receiving attention.

204. The Committee adjourned till 11 A.M. on Thursday, the 23rd August 1928.

Proceedings of the Twelfth Meeting of the Public Accounts Committee,
held on Thursday, the 23rd August 1928, at 11 a.m.

PRESENT :

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|---|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | } <i>Members</i> |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | |
| 7. Rao Bahadur M. C. Rajah. | |
| 8. Lieut.-Col. H. A. J. Gidney. | |
| 9. Mr. W. Alexander. | |
| 10. Sir Frederic Gauntlett, Auditor General. | } <i>Were also present.</i> |
| 11. Mr. J. E. C. Jukes, Controller of Civil Accounts. | |
| 12. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 13. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | |
| 14. Mr. D. C. Campbell, Director of Commercial Audit. | |
| 15. Mr. B. Nehru, Assistant Auditor General. | |
| Mr. A. B. Reid, Joint Secretary, Department of Education, Health and Lands. | <i>Witness.</i> |

205. The Committee took up the consideration of the Appropriation Accounts relating to the Department of Education, Health and Lands.

Grant 46—Survey of India.

206. *Paragraph 61 of the Accountant-General's Report.*—The Committee was informed that the question of the form in which the accounts relating to the Mathematical Instrument Office, Calcutta, should appear in the Appropriation Accounts had very recently been referred to the Finance Department and was under consideration.

207. *Pages 210-15, ibid.*—It was pointed out that the expenditure relating to "Survey Parties—General" and "Survey Parties—Working

for the Provincial Governments, etc.' should be considered together, and that for the head as a whole it was rather difficult to frame accurate estimates as a considerable portion of the work was done for Provincial Governments from whom recoveries had to be effected.

208. *Pages 216-17, ibid.*—It was explained that the Director of Commercial Audit had since taken over the audit of the store account of the Mathematical Instrument Office and would see that the stores are re-valued periodically.

Grant 49—Botanical Survey.

209. *Paragraph 131 (6), ibid.*—The Committee was told that the Director of Commercial Audit had submitted a report to the Government of Bengal in regard to the system of keeping cinchona accounts on a commercial basis. The question of keeping similar accounts in respect of the Government of India's transactions was closely connected with the analogous question relating to Bengal, as also with the recommendations of the Agricultural Commission on the whole subject of cinchona plantations. It was stated that the matter was under consideration of the Government of India and would be discussed very shortly with the Government of Bengal.

210. *Page 229, ibid.*—With reference to the Auditor General's remarks regarding the large stocks of quinine sulphate, it was explained that the Government of India had to purchase quantities sent in by Messrs. Howard & Co. under the contract entered into with them by the Secretary of State in 1918 : that it was not quite certain that it would be possible to terminate the contract in 1928 in view of its connection with the firm's own contract with the Java producers, and that the policy had been to increase the stocks to 450,000 lbs. At the same time the Department bore in mind the necessity for increasing Indian production consistently with the terms of the contract and the Royal Commission on Agriculture had also made recommendations on this question. The Committee desired that the Government of India should take steps to terminate or modify the contract so as to avoid further over-stocking.

211. *Page 226, ibid.*—The Committee considered that the form of the certificate of verification of stock was not satisfactory. It understood from the Director of Commercial Audit that the arrangements for stock verification at Mungpoo were capable of improvement and desired that the Government of India should consider the question with a view to placing matters on a satisfactory footing.

Grant 57—Agriculture.

212. *Page 259, ibid.*—The Committee was told that the system of lump cuts had since been extended to this grant.

213. *Page 256, ibid.*—It was stated that the Supply Grant for works at the Sugarcane Station, Coimbatore, was based on the Engineer's estimates,

but that the whole building programme could not be completed during the year.

214. *Page 257, ibid.*—The Committee was informed that 72 cows died as a result of intravenous injections and that the officer concerned had been duly censured.

215. *Page 258, ibid.*—The large savings in the grant for Anand Cremery were due to the raising of the question of closing down the concern as early as possible as it was not self-supporting.

216. *Pages 266-267, ibid.*—The Committee desired that the net results of the Trading and Profit and Loss Accounts should be given in this case also for two successive years in future Appropriation Accounts. It decided to leave the examination of the loss on the Karnal Farm to the Committee of next year, who would have later figures for purposes of comparison.

217. *Page 285, ibid.*—As regards the loss shown by the Anand Cremery it was stated that the institution would probably be closed in about 3 years.

Grant 58—Civil Veterinary Services.

218. *Paragraph 67, ibid.*—The Committee desired that the audit irregularities and connected questions relating to the accounts of the Imperial Institute of Veterinary Research and Dairy at Muktesar should be disposed of by the Government of India as early as possible. It was explained in this connection that the selling price of milk had since been raised and that the accounts for 1927-28 showed a profit.

219. *Paragraph 68, ibid.*—The Committee desired that steps should be taken to improve the administration of the Grant.

220. *Page 288, ibid.*—It was stated that the savings in the Grant were due to special reasons, of which the more important ones appeared in the Appropriation Accounts in explanation of the variation under "Purchase of chemicals and apparatus", and that there did not appear to be any justification for a lump cut.

Grant 72—Miscellaneous.

221. *Page 394, ibid.*—The omission to distribute the Supplementary appropriation in respect of the expenditure of the Agricultural Commission before the close of the year was explained as having been due to the usual difficulty of obtaining detailed budgets from Commissions.

222. At this stage the Committee adjourned for lunch till 2-30 P.M.

Proceedings of the Thirteenth Meeting of the Public Accounts Committee, held on Thursday, the 23rd August 1928, at 2-20 p.m.

PRESENT :

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|---|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | } <i>Members.</i> |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | |
| 7. Rao Bahadur M. C. Rajah. | |
| 8. Lieut.-Col. H. A. J. Gidney. | |
| 9. Mr. W. Alexander. | |
| 10. Sir Frederic Gauntlett, Auditor General. | } <i>Were also present.</i> |
| 11. Mr. J. E. C. Jukes, Controller of Civil Accounts. | |
| 12. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 13. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | |
| 14. Mr. D. C. Campbell, Director of Commercial Audit. | |
| Mr. Ram Chandra, Depy. Secy., Dept. of E. H. & L. | } <i>Witnesses.</i> |
| Mr. J. A. Woodhead, Joint Secy., Commerce Dept. | |
| Mr. G. H. Spence, Joint Secy., Legislative Dept. | |
| Mr. A. H. Lloyd, Member, Central Board of Revenue. | |

223. The Committee resumed the discussion of the Appropriation Accounts relating to the Dept. of Education, Health and Lands.

Grant 21—Forest.

224. *Paragraph 50 of the Accountant General's Report.*—The Committee observed that greater care was necessary in controlling expenditure against appropriation and estimating the requirements of the closing months of the year.

225. *Paragraph 52. ibid.*—The Committee suggested that the Govt. of India should consider the question of issuing an up-to-date edition of
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the Forest Dept. Code without waiting for the recommendations of the Statutory Commission, though these might affect the future administration of the Department.

226. *Paragraph 53, ibid.*—It was stated that the question of framing a set of rules governing the procedure regarding advances to ministerial subordinates of the Department to meet current expenses entrusted to their charge was under correspondence with minor Local Governments and would be settled in the very near future.

227. *Page 157, ibid.*—The Committee was told that the omission to cover the excess under “Temporary establishment on daily labour” was due to a misapprehension on the part of the Inspector-General of Forests and that his attention would be drawn to it.

228. *Page 158, ibid.*—As regards the outstandings under suspense on account of timber shipped from Burma and placed with the timber agents in London for disposal, it was explained that the High Commissioner had been asked to settle the accounts with the agents and that he would be reminded in the matter.

Grant 55—Medical Services.

229. *Paragraph 63 (a), ibid.*—The Committee was informed that the proposal to transfer the administration of the X-Ray Institute at Dehra Dun to the Military Department was under consideration and that a decision would be reached in the near future ; further that debits were at present being raised against that Department for supplies made to it, although the question of readjusting the cost of the supplies made in the years 1922-23 and 1923-24 was still under the consideration of Government.

230. *Para. 64, ibid.*—With regard to the variations in the receipts from paying patients credited to the Institute and their alleged connection with the private practice set up by a former Superintendent, it was stated that settlement of the question had been kept pending a decision on the question of the transfer of the administration of the Institute to the Military Department, but had recently been taken up. The Committee desired that the Government of India should consider whether the system of allocation of fees should not be stopped and whether the officers should not be debarred from private practice, a suitable compensation being given, if necessary.

231. *Para. 65, ibid.*—It was explained that this was a case of a difference of opinion between two experts in regard to the utility of the apparatus in question.

232. *Page 241, ibid.*—The excess under “Grants-in-aid to non-Government Medical Institutions” was explained as having been due to the omission on the part of the Simla Municipality to claim the payments for 1923-24 and 1924-25 at the proper time with the result that they had to be made later. The savings under “Grants for Medical Services” were due to certain expenditure having been recorded by the Accountant General under a different sub-head subsequently opened.

233. *Page 241, ibid.*—With reference to the disposal of surplus and obsolete stores at the X-Ray Institute, it was stated that, in consultation with the Director General, Indian Medical Service, orders had recently

been issued with a view to making them over to local Governments who needed them.

Grant 77—Delhi.

234. *Page 475, ibid.*—The Committee was shown the Audit Report on the accounts of the Lady Hardinge Medical College, Delli, which had since been received by the Government of India.

This concluded the discussion of the Appropriation Accounts relating to the Department of Education, Health and Lands, and the Committee took up those relating to the Commerce Department.

Grant 45—Ports and Pilotage.

235. *Page 209, ibid.*—It was explained that the savings in this grant were due to special circumstances, including the withdrawal of the Royal Indian Marine Vessel "Clive" and the non-completion of the work of converting the "Dufferin" into a training ship before the close of the year, and that there was no justification for making a lump cut.

Grant 61—Commercial Intelligence and Statistics.

236. *Page 297, ibid.*—It was stated that, although Provincial Governments had a right to put forward claims in respect of Frontier Trade Registration, they had not actually done so, which led to considerable savings in the Grant, and that the provision on this account had been reduced in subsequent years.

Ecclesiastical.

237. *Para. 92, ibid.*—The Committee was informed that the revision of the Ecclesiastical Rules was under the consideration of the Government of India.

238. *Page 529, ibid.*—It was explained that the savings occurred largely in the pay of Bishops and Chaplains and compared favourably with the savings in previous years. The question was raised in this connection whether Ecclesiastical charges incurred for the Army should not be charged to the Army Department. It was decided to examine the Financial Secretary in this connection.

Grant 72—Miscellaneous.

239. *Page 392, ibid.*—It was admitted that the omission to distribute the Supplementary Grant for the Tariff Board under the appropriate sub-heads was a pure mistake.

Grant 84—Expenditure in England under the control of the High Commissioner for India.

240. *Para. 15 of the Home Auditor's report.*—The Committee was informed that no final decision had yet been reached in regard to the outstanding balance of the advance made to the Taj Mahal Trading Company.

241. This concluded the discussion of the Appropriation Accounts relating to the Commerce Department. The Committee then considered the Grants pertaining to the Legislative Department and obtained certain explanations on general points. Finally, it took up once again the Grants relating to the Central Board of Revenue.

Grant 18—Salt.

242. *Para. 131, ibid.*—As regards item (1), the Committee was informed that final orders had been issued in June 1928 in connection with advances drawn for the purchase of blasting powder and that the officers concerned had been censured. As regards item (2), which related to the loss due to the introduction of the mechanical haulage system in connection with the Sambhar Improvement Scheme, it was stated that orders of the Government of India had been issued, but that they would require modification in the light of Mr. Emerson's report.

Grant 19—Opium.

243. *Para. 49, ibid.*—It was explained that the withdrawal of the fixed monthly allowance for the purchase of stationery had since been made absolute.

244. *Page 138, ibid.*—With reference to the large savings in this grant, it was explained that a substantial portion was due to short deliveries of opium as a result of climatic conditions, which could not be foreseen since the opium crop ripened only about the month of April. and that a small portion was also due to a reduction in price, which again was decided upon after the Budget had been framed. The new export policy accepted in principle by the Assembly in March 1926, also accounted for some of the savings, which, as a matter of fact, were a novelty, seeing that there had been excesses for a number of successive years in the past.

Grant 20—Stamps.

245. *Pages 149-50, ibid.*—The more important variations between the Grants and the expenditure under the different sub-heads were explained to the Committee. The amount recovered from the Posts and Telegraphs Department was actually larger than estimated because the Budget had omitted to provide for the cost of carriage of stamps—a defect which has since been put right. The amount paid to the Security Printing Press for stamps supplied was again considerably less than the estimate as the requirements of the Calcutta Depot proved to be much below the original forecast—a matter which will be pursued by the Central Board of Revenue. On the other hand, the smaller recoveries from Provincial Governments arose from the decision of the Government of India to charge them at the Nasik rates and not at the English rates—a decision which was not communicated till August 1927. The estimate in this case was based on the figures supplied by the various Accountants-General and the Finance Department have recently issued instructions which will minimise variations between estimates of central credits and of corresponding Provincial debits in future. The excess under "Works expenditure" was actually covered by reappropriation. It was stated that this was the first year of working of the Security Printing Press, and that the net excess in the Grant as a whole was practically represented by the loss on the working of the Press. It was expected that the loss would be wiped out in the very near future.

Grant 74—Refunds.

246. *Page 405, ibid.*—As regards the delay in the communication, to the Collectors of Customs, of the refunds made at the Frontier Treasuries, the Committee was informed that the delays arose from the fact that the items had to be passed on through the accounts of Kashmir and the Punjab to the Accounts officers concerned and that a circular letter had been issued in August 1927, from which it was hoped that some benefit would result.

247. The Committee then adjourned till 11 A.M. on Friday, the 24th August 1928.

Proceedings of the Fourteenth Meeting of the Public Accounts Committee, held on Friday, the 24th August 1928, at 11 a.m.

PRESENT :

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|--|---|---------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | } | <i>Members.</i> |
| 2. Mr. S. C. Mitra. | | |
| 3. Mr. Abdul Matin Chaudhury. | | |
| 4. Mr. C. S. Ranga Iyer. | | |
| 5. Mr. T. A. K. Shervani. | | |
| 6. Mr. B. Das. | | |
| 7. Rao Bahadur M. C. Rajah. | | |
| 8. Lieut.-Col. H. A. J. Gidney. | | |
| 9. Mr. W. Alexander. | | |
| 10. Sir Frederic Gauntlett, Auditor General. | } | <i>Were also present.</i> |
| 11. Mr. J. E. C. Jukes, Controller of Civil Accounts. | | |
| 12. Mr. G. Kaula, Accountant General, Central Revenues. | | |
| 13. Mr. D. C. Campbell, Director of Commercial Audit. | | |
| 14. Mr. P. N. Mukherji, Audit Officer, Indian Stores Department. | | |
| 15. Mr. B. Nehru, Assistant Auditor General. | } | <i>Witnesses.</i> |
| Mr. A. H. Lloyd, Member, Central Board of Revenue. | | |
| Mr. A. G. Khan, Assistant Director (Inspection), Indian Stores Department. | | |

248. The Committee examined Mr. Lloyd on certain important questions relating to the Northern India Salt Revenue Department.

249. *Paragraph 10 of Finance Department Resolution, dated the 5th January 1928 (Appendix I).*—The Committee discussed the financial position and prospects of the whole scheme of salt supply from the Sambhar Lake and Khewra. The Chairman explained that the accounts had been commercialised and that future Appropriation Accounts would show the

cost price of salt at its source ; that, if the cost price showed a progressive fall, the hopes expressed by the Government of India would be justified ; but that, if it showed a progressive rise, the Public Accounts Committee of the future would have reason to examine the matter further. In the circumstances, the Committee agreed that no further action was necessary on its part at the moment.

250. *Paragraph 45 of the Committee's Report for 1925-26 (Item 5 of Appendix II).*—The Committee next considered the Memorandum (Appendix VI) presented by the Central Board of Revenue on the question of an alternative method of supplying power at Sambhar Lake, as also Mr. Pitkeathly's report (Appendix VII) on the same subject, copies of which had since been supplied to the Members. It desired that, in this particular case, Government should take necessary action on the lines of the specific recommendations contained in paragraph 10 of Mr. Pitkeathly's report, and try to run the whole concern with a view to reducing the cost of production as far as possible. The Committee hoped that such reduction would be effected. In regard to schemes of importance generally, it desired that careful attention should be paid, when they are taken up, to the probable increase in the extent of output as well as in the cost of production.

251. This concluded the examination of the Central Board of Revenue, and the Committee adjourned for lunch till 2-30 P.M.

**Proceedings of the Fifteenth Meeting of the Public Accounts Committee,
held on Friday, the 24th August 1928, at 2-30 p.m.**

PRESENT :

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|--|---|--------------------|
| <ol style="list-style-type: none"> 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i>. 2. Mr. S. C. Mitra. 3. Mr. Abdul Matin Chaudhury. 4. Mr. C. S. Ranga Iyer. 5. Mr. T. A. K. Shervani. 6. Mr. B. Das. 7. Rao Bahadur M. C. Rajah. 8. Lieut.-Col. H. A. J. Gidney. 9. Mr. W. Alexander. | } | Members. |
| <ol style="list-style-type: none"> 10. Sir Frederic Gauntlett, Auditor General. 11. Mr. J. E. C. Jukes, Controller of Civil Accounts. 12. Mr. G. Kaula, Accountant General, Central Revenues. 13. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | } | Were also present. |
| <p>Mr. J. D. V. Hodge, Deputy Secretary,
Home Department.</p> <p>Mr. Bishen Sarup, Delhi Administration.</p> | } | Witnesses. |

252. The Committee took up the consideration of the Appropriation Accounts relating to the Home Department.

Grant 27—Staff, Household and Allowances of the Governor-General and Grant 28—Executive Council.

253. *Pages 176-77 of the Accountant-General's report.*—The Committee was informed that detailed instructions had been issued to the officers concerned with a view to making systematic attempts during the course of the year to evaluate the cost of tours.

Grant 31—Home Department.

254. *Page 181, ibid.*—It was stated that no secret funds were placed at the disposal of the Bureau of Public Information.

Grant 43—Administration of Justice.

255. *Page 200, ibid.*—It was explained that the law charges represented payments made in arrears to the Bombay Government, and that the amount finally settled and paid was less than the amount claimed by them.

Grant 77—Delhi.

256. *Page 469, ibid.*—The Committee was informed that the savings in the grants for scholarships and for grants-in-aid for buildings, etc., were due to the non-fulfilment of the prescribed conditions, to the absence of scholars, etc.

Grant 79—Andamans and Nicobar Islands.

257. *Paragraph 87, ibid.*—The Committee understood that the question of the form in which the *pro-forma* Profit and Loss Account in respect of S. S. "Maharaja" should be prepared, as also that of placing the Commissariat Department on a commercial basis and of maintaining suitable *pro-forma* accounts in this connection, were under correspondence with the Chief Commissioner.

258. *Paragraph 88, ibid.*—It was explained that it was difficult to watch the progress of expenditure in this case as shipping service between India and the Andamans was not very regular, and the clerical staff was of a comparatively poor quality. It was also stated that the system of returns prescribed in order to facilitate the work of watching the progress of expenditure had been in force only for less than a year. The Committee desired, however, that the Government of India should consider the desirability of instituting a local Pay and Accounts Office with reference to the needs of the situation.

259. *Pages 489 and 490, ibid.*—The Committee was informed that, as a result of a recent change in policy, the penal settlement was being gradually closed down, and that steps would be taken to secure better budgeting in future. The Committee desired, however, that the Government of India should consider the feasibility of showing under a separate sub-head the expenditure relating to the Morlah Settlement.

260. *Paragraph 12 of the Home Auditor's Report on the High Commissioner's Accounts.*—With reference to the mis-classification of the pension of a Judge of a High Court, referred to in this paragraph, the Auditor General stated that the question would be taken up by the Accountant General, Central Revenues.

261. The Committee then adjourned till 11 A.M., on Saturday, the 25th August 1928.

Proceedings of the Sixteenth Meeting of the Public Accounts Committee,
held on Saturday, the 25th August 1928, at 11 a.m.

PRESENT :

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|---|-----------------------------|
| 1. The Hon'ble Sir Bhupendra Nath Mitra, <i>Chairman</i> . | |
| 2. Mr. S. C. Mitra. | |
| 3. Mr. Abdul Matin Chaudhury. | |
| 4. Mr. C. S. Ranga Iyer. | |
| 5. Mr. T. A. K. Shervani. | |
| 6. Mr. B. Das. | } <i>Members.</i> |
| 7. Rao Bahadur M. C. Rajah. | |
| 8. Lt.-Col. H. A. J. Gidney. | |
| 9. Mr. W. Alexander. | |
| 10. Sir Frederic Gauntlett, Auditor General. | |
| 11. Mr. J. E. C. Jukes, Controller of Civil Accounts. | |
| 12. Mr. G. Kaula, Accountant General, Central Revenues. | |
| 13. Mr. T. K. Rajagopalan, Officer on Special Duty, Finance Department. | } <i>Were also present.</i> |
| 14. Mr. D. C. Campbell, Director of Commercial Audit. | |
| 15. Mr. B. Nehru, Assistant Auditor General. | |

Mr. E. Burdon, Financial Secretary, *Witness.*

262. The Committee took up the consideration of the Appropriation Accounts relating to the Finance Department, as also other outstanding points.

263. *Paragraphs 3 and 8 of the Auditor General's letter.*—With reference to the excesses in certain Grants and savings in others brought to notice in these paragraphs, the Financial Secretary explained that steps were being

taken to strengthen the superior staff of the Finance Department in order that there might be machinery for correlating the Appropriation Accounts with the original estimates, and that the question of making lump cuts more adequate would receive due attention.

264. *Paragraph 6, ibid.*—The Committee suggested the issue of general orders emphasising the fact that it was for the controlling officers to prove to the Accountant General, before the accounts of the year were finally closed, that his figures were incorrect and thus induce him to correct his figures, so that the discrepancies at the time of the preparation of the Appropriation Accounts might be obviated as far as possible.

265. *Paragraph 7, ibid.*—It was explained that the large savings in the Grant for advances to the Provincial Loans Fund (Grant 93) were due to the fact that Provincial Governments reduced their requirements with reference to the remission of provincial contributions announced in the Budget ; that the head was one under which it was difficult to frame an accurate estimate ; that, in fact, the last year's Committee recommended that the necessity for submitting outgoings to the vote should be examined ; and that this examination would be made in connection with the deliberations of the Statutory Commission.

266. *Paragraph 10 (a), ibid.*—The Committee expressed the hope that, as a result of the orders contained in paragraph 4 of the Finance Department Resolution of the 5th January 1928 (Appendix I), future Appropriation Accounts would show better results.

267. *Paragraph 10 (b), ibid.*—On the question of additional provision in the Budget for leave salary as well as for increments, the Financial Secretary reported the measures taken from 1925 onwards and stated that the intention was to issue final orders in the matter after the results of the next Budget have been scrutinised.

268. *Paragraph 11, ibid.*—It was explained that the omission to obtain supplementary grants in respect of certain Grants, to supplement which allotments had been made from the Reserve at the disposal of the Finance Department, was due to the fact that the revised procedure was not outlined until after the close of the year (*vide* Finance Department Resolution of the 5th May 1927), and that the decision had been reached only on the eve of the presentation of the Supplementary Demands for 1926-27. Of the four cases mentioned by the Auditor General, that relating to Census was an omission, but the excess was under Rs. 2,000, and in the remaining 3 cases the allotments from the Reserve were made after the Supplementary Demands had been presented to the Assembly. The Committee agreed that, in cases of the kind just mentioned, a fresh set of Supplementary Demands need not be presented to the Assembly when the Assembly's general programme of work did not readily permit this, unless of course a question of principle was involved.

269. *Paragraph 24 of the Accountant General's Report.*—The Committee decided that cases of authorisation of expenditure, in anticipation of the approval of the Standing Finance Committee or of provision of funds, need not be detailed in the Accountant General's Report in future when such approval was either not necessary or had subsequently been obtained,

and when a supplementary grant was found to be necessary and had subsequently been obtained. It agreed that the cases to be shown in the Report should be those only in which Audit considered the approval of the Standing Finance Committee was necessary, in accordance with the principles laid down by that Committee, but had not actually been obtained.

270. *Paragraph 33, ibid.*—It was stated that an amendment to the Government of India's Supplementary Rules had recently been issued with a view to the check on the charges for carriage of personal effects being made more effective.

Grant 25—Interest on Debt and Reduction or Avoidance of Debt.

271. *Page 169, ibid.*—It was stated that, although this was the first occasion on which a Discount Sinking Fund was instituted in India, it was the normal practice with the Secretary of State to institute such funds in connection with the Sterling loans raised by him. The practice in India is to resort to this method only when the revenue position does not permit of the entire discount being charged to the revenues of the year.

Grant 26—Interest on Miscellaneous Obligations.

272. *Pages 170—73, ibid.*—The Financial Secretary explained that the entire excess in the voted expenditure was explained by larger payments to the Post Office for Savings Banks and Cash Certificate work, which were calculated among other things with reference to the number of transactions and number of accounts, and that the excess could not be foreseen in time ; that the variation in the interest on General Provident Fund was small ; that the authority responsible for watching the progress of expenditure was the Audit Officer himself ; and that instructions had since been issued with a view to securing greater co-operation between Pay and Accounts officers and the Accountant General, Central Revenues, in the work of estimating.

Grant 35—Finance Department.

273. *Page 187, ibid.*—With reference to the Auditor General's observation regarding the failure to foresee in the Budget estimates the reduction of expenditure on conveyance when the location of the offices was changed from Old to New Delhi, the Committee was informed that the change in the location was not known at the time the estimates were framed.

Grant 67—Currency.

274. *Paragraphs 69 and 70, ibid.*—The Financial Secretary admitted that the embezzlements in the Burma treasuries presented a disquieting phenomenon, but that the Government of Burma had asked what effective steps could be taken without incurring a considerable increase in the cost of the management of treasuries. The Auditor General did not agree that the verification of balances should be made part of the responsibilities of Audit, and the matter was receiving attention. The Auditor General's suggestion that writes-off of losses in connection with Central transactions conducted by Provincial Governments as agents of the Central Government, and directly due to the neglect of the servants of the agents, should be a provincial charge, raised important constitutional issues, but the Committee commended it for the careful consideration of the Government of India.

275. *Pages 317 and 318, ibid.*—It was stated that the amount required for "Pay of Establishments" and "Contingencies" was a matter of con-

siderable uncertainty, as it depended, to a considerable extent, on the character of the season, the volume of remittances and the exigencies of storage accommodation. The Financial Secretary stated, however, that a lump cut would be made in future, if necessary.

Grant 68—Mint.

276. *Paragraph 71, ibid.*—The Committee hoped that a final decision in regard to the form of Profit and Loss Account and Balance-sheet of the Mints would be reached in time for these to appear in the Appropriation Accounts next year.

Grant 70—Superannuation Allowances and Pensions.

277. *Paragraph 82, ibid.*—The Financial Secretary stated that a draft set of rules regarding contracts had been circulated to various authorities for their opinions ; that these would enunciate general principles, but would be followed up with a Manual of Detailed Instructions indicating the powers of various authorities in respect of different kinds of contracts, and prescribing rules to govern points connected with or arising out of agreements ; and that the points raised by the Accountant General had been noted and would be covered by the rules or instructions.

278. *Page 360, ibid.*—It was stated that the excess of net voted expenditure was comparatively small and was more than explained by the very large extra expenditure under “ Superannuation and Retired Allowances ” ; that the large differences under gross expenditure and deductions were due to an error ; and that the Audit officers themselves were responsible for watching the expenditure, which is distributed over all provinces. As regards the defective arrangements in the Central Provinces for estimating and controlling expenditure, it was stated that a report was awaited from the Accountant General.

Grant 72—Miscellaneous.

279. *Page 396, ibid.*—It was explained that the fact that provision for payment of rates and taxes on military buildings had been included in the figure, which was supplied by the Accountant General, was not known at the time to the Finance Department, and that provision has since been correctly made.

280. *Page 398 ibid.*—It was pointed out that the Revenue Reserve Fund really represented a purely balancing entry, and that the small difference of about Rs. 13½ lakhs between the estimates and actuals was a matter for congratulation.

Grant 85—Capital Outlay on Security Printing.

281. *Paragraph 97 ibid.*—It was stated that the question of the form in which the accounts of the Security Printing Press, should appear in the Appropriation Accounts was still under consideration, and that a decision would be reached in the near future.

Grant 85-A.—Capital Outlay on Currency Note Printing Press.

282. *Page 562 ibid.*—It was pointed out that the excess in the voted expenditure was so small that it could hardly have been foreseen ; and that, as a matter of fact, this was an instance of very close budgeting.

Grant 89—Capital Outlay on Vizagapatam Harbour.

283. *Pages 566-67 ibid.*—It was stated that in this case the construction work commenced only in 1925-26, and that in framing the estimates for 1926-27, not even a year's past actuals were before Government ; that it was difficult in the case of large construction works to estimate expenditure during the first year or two until matters had settled down ; and that lump cuts would be made in future if past actuals justified such a course.

Grant 90—Commuted Value of Pensions.

284. *Page 569 ibid.*—It was pointed out that the difficulties in this case were similar to those in the case just mentioned, as 1926-27 was the first year in which commutations of pension began to be charged to capital.

Grant 92—Interest Free Advances.

285. *Page 582 ibid.*—The Committee was informed that the surplus stocks of nickel were due to the extensive purchases which had to be made during the War, when there was a shortage of silver, and that a contract had been entered into with a certain Company for the disposal of 1,500 tons, which represented nearly all the surplus, and would leave a balance which would suffice for the coinage requirements of about 10 years, so that further purchases would not be necessary in the near future.

Grant 93—Loans and Advances Bearing Interest.

286. *Paragraph 112 ibid.*—With reference to the Supplementary Memorandum (Appendix X) forwarded by the Auditor General regarding the working of the Provincial Loans Fund, the Financial Secretary explained that the reduction in the rate of interest on advances granted in 1921-22, was not inconsistent with the terms on which the advances were originally sanctioned, and that the questions, referred to in paragraphs 4 and 6 of the Memorandum were receiving the attention of the Government of India.

Secretary of State's Accounts.

287. *Paragraph 2 of Section I of the Home Auditor's Report.*—The Committee understood that mistakes in the classification of pensions arose from erroneous entries in Last Pay Certificates. It desired that the Finance Department should issue general orders with a view to obviating such mistakes.

288. *Paragraph 3 ibid.*—The Committee was informed that the comprehensive settlement of the various claims and counter-claims as between the Government of India and the War Office had not yet been made.

289. *Paragraph 22 ibid.*—The Financial Secretary stated that it would be difficult to make a lump cut in the Secretary of State's estimates.

High Commissioner's Accounts.

290. *Paragraph 19 of Section I of the Home Auditor's Report.*—The Financial Secretary stated that there would be no difficulty in making a lump cut in this case in future if the figures indicated the necessity.

291. *Paragraphs 111-112 of the Auditor General's letter.*—The Committee expressed the hope that, in future, provision would be made in the Budget against the head under which the expenditure would be booked in the accounts, and that lump cuts under the head "Establishment" would be made wherever this was considered desirable.

292. *Paragraph 113 ibid.*—The Financial Secretary explained that, in according sanction to the write-off of the loss due to the embezzlement of stamps, the Central Board of Revenue did not wish to criticise the disciplinary action taken by the Government of Bombay—a view in which the Finance Department concurred; that in a matter of this kind the Government of India should not, in his opinion, interfere with their agents, whose servants were concerned; and that the Government of India had already forwarded to Local Governments copies of their letter of September 1927 to the India Office detailing the measures taken for checking the growth of fraud and embezzlement of public revenues. He agreed that, when the general principles regulating disciplinary action were settled by the Government of India, they should also be communicated to Provincial Governments for information.

Ecclesiastical.

293. The Committee next considered the question of the incidence of Ecclesiastical charges incurred in connection with the Army. It was informed that the question had been raised by the Retrenchment Committee and carefully considered by the Government of India, who decided in 1925 that any change should be left over until the whole question of Chaplains and Churches could be dealt with comprehensively after the Indian Church Measure was adopted. As this measure came into operation from the 1st January 1928, the Committee desired that the Government of India should take up the question.

294. Finally the Committee considered the question as to what kinds of expenditure should be held to be "New services" within the meaning of rule 50 of the Indian Legislative Rules. The Chairman stated that the rules would very shortly be amended in order to enable token votes to be obtained in respect of new services where the expenditure involved could be met by re-appropriation. The Committee was inclined to agree with the conclusions set forth in the Memorandum (Appendix XI) furnished by the Auditor General on the subject, although it did not desire to commit itself definitely thereto. It agreed with the Auditor General that, as in England, there should be no cast-iron rule and that the application of the term to concrete cases could best be governed only by the evolution of a body of case-law. It desired that, in placing cases before the Standing Finance Committee, the Government of India should state whether the expenditure was in respect of a new service; and that, if audit held a different view in particular cases, such cases should be brought to the notice of the Committee through the Appropriation Accounts.

295. This concluded the examination of the Appropriation Accounts, and the Committee adjourned till 11 A.M. on Saturday, the 1st September 1928.

Proceedings of the Seventeenth Meeting of the Public Accounts Committee held on Saturday, the 1st September 1928, at 11 a. m.

PRESENT :

1. The Hon'ble Sir Bhupendra Nath Mitra, *Chairman*.

2. Mr. S. C. Mitra.

3. Mr. Abdul Matin Chaudhury.

4. Rao Bahadur M. C. Rajah.

5. Mr. W. Alexander.

} *Members.*

6. Sir Frederic Gauntlett, Auditor General. Was also present.

296. The Committee considered the draft Report and accepted it with certain additions and alterations.

VI—APPENDICES.

APPENDIX I.

Finance Department Resolution No. D./3546-A., dated the 5th January 1928.

The Governor General in Council has taken into consideration the Report of the Public Accounts Committee on the accounts of the year 1925-26 and desires in the first instance to express his appreciation of the industry, ability and discretion which mark the Committee's performance of the very important duties entrusted to them. In the time which has elapsed since the Report was presented it has not been possible to come to a decision on every recommendation made but definite conclusions have been reached on several matters of importance and it is thought advisable to announce these without delay, by means of the customary resolution, since it is in the interest of the financial administration of the country that the recommendations of the Committee which have been accepted by Government should be given effect as early as possible.

2. The Governor General in Council observes that if Loans and Advances are excluded the percentage of savings compares favourably with that in the previous year. The Committee have drawn attention to the fact that the savings under voted grants are larger than those under non-voted grants and to the suggestion that this may be due to a tendency to overestimate, in apprehension that excesses under voted grants, requiring as they do the sanction of the Assembly, may not always be readily accepted by that body. The Governor General in Council has not so far noticed such a tendency in any Department, but he agrees that the possibility of its arising cannot be ignored and wishes to impress on all Departments that deliberate over-estimation cannot in any circumstance be justified and should be scrupulously avoided.

3. The Committee recommend that in regard to disbursements under Loans and Advances the necessity for submitting those outgoings to the annual vote should be examined, and that the limits of votability in regard to them should be made clear in accordance with the procedure adopted in England in regard to similar transactions. Similarly, in commenting on the excess under Appropriation to the Reserve Fund in the Railway Department, the Committee observe that the practice of treating such items as expenditure is unreal and confusing, and suggest that the procedure of submitting excess grants for the vote of the Assembly in respect of excess payments under this and other heads, which do not represent real expenditure, should be reviewed. The Governor General in Council is aware of the anomalies in the existing procedure, which arise out of the wording of the existing Section 67-A of the Government of India Act, and is examining the question of altering the section in a suitable manner in connection with any revision of the Act after 1929.

4. The Governor General in Council notes with interests that the system of lump sums introduced in the civil estimates during the year 1925-26 has been justified by results. He hopes that by a larger and more judicious use of the system not only in the civil Department but in other Departments as well it will be possible to present estimates to the Legislative Assembly which will approximate closely to the final outturn of the year. He agrees with the Committee that wherever possible the necessary reduction in the estimates should be made under the various detailed heads. On the other hand it is observed, with regret, that the importance of estimating works expenditure correctly has not been sufficiently realised, and it must once more be impressed upon all officers and Departments concerned that a careful calculation of requirements in respect of such expenditure is imperative so that, as pointed out by the Committee, the estimates under other heads such as Interest and Establishments may not be widely disturbed.

5. The Governor General in Council has carefully examined the causes of the excesses under the various voted grants which have been briefly explained in paragraph 10 of the Report. He agrees with the Committee that excess votes under 'tour expenses' can be avoided by making more systematic attempts during the course of the year to evaluate the cost of probable tours. He accepts the suggestion that in regard to payments to Provincial Governments for a share of the cost of the Provincial Secretariat on account of the administration of Agency subjects, for which budget provision has been made

on an estimate of the expenditure likely to be incurred during the coming year, the payment should be restricted to the Budget provision, and that any excess payable based on the actuals of the year should be provided for and paid in the following year. The Governor General in Council is glad to note that the Central Board of Revenue have taken steps as suggested by the Committee to watch liabilities on account of Customs refunds. The general question of modifying the system of large annual adjustments in accounts that are now made, and substituting accounts arrangements which will represent improved machinery for watching liabilities concurrently with events, is being carefully examined by the Finance Department in consultation with the Auditor General and the other Departments of the Government of India.

6. The Committee have drawn attention to the debates which took place when the demands for the excess grants for the year 1924-25 were placed before the Legislative Assembly, and to the strong desire then expressed that an opportunity should be given to the Assembly to discuss in general terms the Report of the Public Accounts Committee. The Committee sympathise with this natural desire and recommend that the Government should consider the best method of affording such opportunity. The Governor General in Council observes that during the debates on the motion for an excess grant under the head 'Indian Posts and Telegraphs Department' on the 9th of February 1927 the Finance Member undertook to request the Leader of the House to give time for the general discussion of the Report of the Committee if there was a general desire on the part of the House on any occasion to have such a discussion. The proposal is being carefully examined with a view to an opportunity being given during the forthcoming session for a general discussion in some suitable form, if time permit, of the more important points in the Report.

7. After studying the elaborate set of rules prepared by the Treasury for the placing and control of contracts in England, and after sifting the Audit and Appropriation Accounts and the evidence of departmental witnesses, the Committee have in paragraph 13 of the Report suggested the incorporation in the rules to be issued by the Finance Department of certain broad fundamental principles. The Governor General in Council accepts those principles and hopes that it will be possible to issue, at an early date, rules to regulate the control of contracts in India, a measure which has long been in contemplation.

8. The Committee have studied with evident care and thoroughness the results of the investigation into the accounts of the Delhi Stores and the Delhi Stoneyard. The Governor General in Council agrees with their conclusions that in normal conditions the sound rule in paragraph 360 of the Public Works Department Code, regulating the purchase and manufacture of reserve stock, should be rigidly followed. He observes with satisfaction that steps believed to be adequate have been taken to guard against the recurrence of irregularities similar to those brought to light in the accounts of the Stoneyard.

9. The Committee have given considerable attention to the questions relating to the Sambhar Improvement Scheme which had been reserved by the Committee of 1926. While they endorse the action taken by Government in regard to the departures from the rules made by the Executive Engineer, the Committee regret that they have not been able to carry out a "thorough investigation" of the whole case as enjoined upon them by their predecessors. The accounts of the Scheme have been subjected to a thorough and searching scrutiny, by the Audit Department: the Government of India themselves have acknowledged that all the criticisms of the Auditor are substantially correct, and in these circumstances the Governor General in Council considers, leaving aside the question of the propriety of such a course, that a fresh audit of the whole scheme *ab initio* by the Public Accounts Committee—for that is in essence what is proposed—would hardly be practicable and if undertaken would serve no useful purpose.

10. The Committee further suggest that the financial position and prospects of the whole Scheme of Salt Supply from the Sambhar lake and Khewra should be comprehensively examined and placed on a business footing. In this connection it is important to note that various reforms and economies have in fact recently been introduced in the working of the Northern India Salt Revenue Department as a result of a close investigation conducted by an officer on special duty working directly under the Central Board of

Revenue. Savings in the expenditure on establishment have been effected as a result of improved methods of administration. In consultation with the Audit Officer, new arrangements have been devised to enable the General Managers and the Commissioner to exercise a real control over expenditure. Formerly the department used to excavate and manufacture the maximum amount of salt possible irrespective of the volume of demand; this has been replaced by a new policy of working up to a definite output every year based on ascertained demand and existing stocks. Periodical verifications of stocks are now made, a system of payment by weight has been prescribed, some portions of the ambitious development schemes approved by the Standing Finance Committee as early as 1922 have been abandoned, and by these and other means definite efforts have been made to improve administratively and financially the system of salt supply in the Northern India Salt Revenue Department. The possibility of further economies and improvements is receiving the unremitting attention of the Central Board of Revenue, and the Governor General in Council trusts that succeeding audit reports will show unmistakable evidence of these efforts.

11. The Committee have expressed a hope that every endeavour will be made to expedite the revision of the Sea Customs Act. The Governor General in Council is glad to note that the amending Bill will be ready for introduction in the Legislature during the coming session.

12. The question of presenting a true profit and loss account of the Posts and Telegraphs Department has engaged the attention of the Committee and they trust that when the next Appropriation Accounts are presented all the necessary inter-departmental adjustments will have been determined and carried out and that the statement of profit and loss presented will then be more illuminating. The matter is one of some complexity but it is understood that the need for an expeditious settlement of the outstanding issues is fully recognised by the Department.

13. Steps are being taken to accelerate the opening of the separate Accounts Office at Peshawar. The position at present is that the Military Authorities have offered to transfer to the Finance Department, for the new Accounts Office, the buildings now occupied by the office of the Controller of Military Accounts, Peshawar, and a new office building will be constructed as a charge against the civil estimates at Rawalpindi for the use of the Military Accounts Department. The Chief Commissioner of the North-West Frontier Province has been asked to include in his statement of demands for new civil works for 1928-29 the necessary provision for the proposed building at Rawalpindi.

14. The Committee next refer to the preparation and maintenance of an inventory of all Government property, an arduous task which had been undertaken by the Auditor General and hope that he will be able to report to the next Public Accounts Committee the result of his labours. The Auditor General has submitted a report which is now under consideration in the Finance Department.

15. The Committee refer to the satisfactory results achieved by the Indian Stores Department from year to year. They observe that recourse to the Department is not yet compulsory and that the co-ordination of purchases for various Departments may make it possible to conduct the operations of the Stores Department more economically than at present. The Governor General in Council notes that the proposal to institute a standing committee for the purpose of such co-ordination is receiving careful consideration at the hands of the Industries and Labour Department in consultation with the Army and Railway Departments which are the largest purchasing Departments. A suggestion of the Committee is that the account of the non-commercial portion of the work of the Stores Department, connected with the development of Indian Industries, should be exhibited separately. This important suggestion is being examined in the Department of the Government of India concerned in consultation with the Audit Officer.

16. In paragraph 23 of their Report the Committee, while recording their conclusion that the question of the grant to the Auditor General of facilities for direct access to the Secretary of State is one which should properly be left for examination by the Statutory Commission, have suggested that, in the meantime, in cases where the Auditor General requires the Government of India to obtain the orders of the Secretary of State the reference should

be made with reasonable promptitude. This is obviously desirable and the necessary instructions have already been issued.

17. The Committee have considered in paragraph 25 of their report the question of modifying the financial powers of Departments of the Government of India and the means by which audit may discharge its normal function of ensuring that these powers are not exceeded. The Committee have observed that there appears at present to be some conflict of view as to the apportionment of responsibility in this matter, as it has been contended, on the one hand, that it should be a matter of the internal economy of the Government of India to ensure that Departments other than the Finance Department obtain the concurrence of the latter in cases where such concurrence is necessary; whereas it would appear, on the other hand, that the Public Accounts Committee cannot effectively perform its duties in regard to expenditure incurred under the powers in question without receiving the information and aid which audit alone can provide. The Committee have left it to the Finance Department to examine the question which they have thus raised. This will be done and further material on the subject will be placed by the Finance Department before the next Public Accounts Committee.

18. The Committee draw attention to the advantages and disadvantages of the system of net grants at present applied in the case of military expenditure. They rightly point out that as a permanent arrangement it would impair the full exercise of Parliamentary control over public expenditure. At the same time they are ready to recognise that, in the present abnormal situation when important deficiencies in equipment, etc., have to be made good, the system encourages economy and makes it possible for special demands for expenditure on improving the efficiency of the Army to be met without disturbing the general equilibrium of the budget of the Government of India. The Committee therefore do not suggest the immediate abolition of the existing system. The Governor General in Council concurs in this conclusion of the Committee.

19. The Committee have examined in some detail the question of introducing a more systematic audit of receipts and stores than obtains at present. They have investigated the existing position in regard to this matter and have specially considered the possibility of applying such systematic audit generally to the operations of some of the large revenue collecting departments of the State. They have however appreciated the difficulties involved and have left it to the Government of India to ascertain from the Comptroller and the Auditor General in England the procedure obtaining in that country, and desire that the Government of India should present their considered views on the subject to the Public Accounts Committee next year. Enquiries to this end have already been put in train but it is unlikely that it will be possible to arrive at a final decision in the immediate future.

20. Like the Committee of 1925 their successors have evinced great interest in an early decision on the question how losses of revenue due to fraud, defalcation, etc., should be exhibited in the accounts. They have recommended that the procedure adopted in England in this matter should be followed in India also. Since the presentation of the Report the Auditor General, after a careful scrutiny of all the items of losses and compensations entered in the British Appropriation Accounts for 1924-25, has formulated proposals based on what appear to be the guiding principles which govern the exhibition of losses in the British Report, that is to say, under separate heads in the accounts proper or merely in the general notes appended to the various votes. He has also specifically asked the Comptroller and Auditor General in England whether his interpretation of the practice followed is correct. Meanwhile his proposals were recently discussed at the Conference of the Financial Representatives of Provincial Governments, and they, while agreeing to the general principle on which the Auditor General has so far proceeded, have undertaken to examine the proposals in detail in all their practical aspects. The Governor General in Council awaits a further report from the Auditor General and the result of the further examination by the Provincial Governments.

21. The desirability of formulating general principles to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals has engaged the attention of the Committee who have endeavoured to ascertain the basis on which the decision to impose or waive penalties has been taken in every case of financial irregularity brought to their notice. The Committee recognised that the correct

Assessment of responsibility must depend very largely on the individual merits of each case, that the factors to be taken into account may be numerous and of great variety, and that consequently it is difficult, if not impossible, to formulate rules of general application. They, however, emphasise the desirability of laying down some broad criteria with a view to avoiding conspicuous and apparently invidious differences of treatment. They recommend that this aspect of the matter should be thoroughly examined and the conclusions of the Government placed before the next Public Accounts Committee. The Governor General in Council observes that in the Army Department certain general principles are being followed in dealing with cases of losses involving the enforcement of responsibility by disciplinary action or the imposition of some other penalty. He agrees with the Committee that it may be desirable to consider whether, without laying down any hard and fast rules, some practical formulæ can be devised for the general guidance of departments and their officers. The matter will receive the careful attention of the Government of India.

-22. The Committee refer in paragraph 39 of their Report to the evidence which they have received to the effect that responsible officers have been found to give receipts and certificates which do not accurately represent facts. They express the hope that heads of departments will visit with severe displeasure and penalty all cases of laxity in signing certificates. The Governor General in Council has no hesitation in endorsing the view which the Committee take of such practices, where they exist. It is imperative that every public official should entertain the most scrupulous sense of his responsibility in respect of his signature on documents of financial importance, and that failure to do so should be regarded as a serious breach of duty.

23. The Governor General in Council before concluding this Resolution wishes to refer briefly to two further matters of importance dealt with in paragraphs 68 and 71 of the Report. He is glad to note the assurance of the Auditor General that the serious cases of fraud brought to light in the Audit and Appropriation Accounts of the Military Services belong to the period of the War and the period of disturbance which followed the War, and hopes that with the return of normal conditions such cases of fraud will rarely occur in future. As regards the question of improving audit on Company lines by increasing the staff of Government examiners, the Governor General in Council understands that this has been examined by the Accountant General, Railways, and that his recommendations are now being considered by the Auditor General.

24. The action taken by the Governor General in Council on the other recommendations of the Committee, not mentioned above, and specially on those contained in Section IV of the Report will, as usual, be communicated to the Public Accounts Committee at their next meeting.

APPENDIX II.

Statement showing the action taken or proposed to be taken on the points which have been noticed by the Public Accounts Committee in their Report on the accounts of 1925-26 but which have not been dealt with in Finance Department Resolution No. D.-3546-A., dated 5th January 1928.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Examination of the working of the Khewra Electrification Scheme.	Report of 1927, para. 28.	A memorandum by the Central Board of Revenue is being circulated to the members of the Public Accounts Committee. (Appendix V).
2	Enquiry whether the certificate regarding secret service expenditure furnished by the Secretary of State is in the same form as that prescribed by the Public Accounts Committee in England.	Report of 1927, para. 41.	It has been ascertained that the form of certificate furnished by the Secretary of State for India in respect of secret service expenditure incurred by him is the same, <i>mutatis mutandis</i> , as that given by the other Secretaries of State in accordance with the procedure approved by the Public Accounts Committee in the United Kingdom.
3	Enquiry regarding the correctness of the rate of exchange used for conversion of gold marks into sterling in respect of the amount due to India under the Dawes Scheme.	Report of 1927, para. 42.	The Secretary of State has decided not to take any action on the suggestion of the Home Auditor, <i>vide</i> paragraph 13 in Section I of the Auditor's Report on the Secretary of State's accounts for 1926-27.
4	Proposed institution of an audit of the store accounts of salt.	Report of 1927, para. 45, sub-para. 1.	The Central Board of Revenue are considering the question.
5	Question of the high cost of generation of electric current at Sambhar and the possibility of effecting economies.	Report of 1927, para. 45, sub-para. 2.	A memorandum by the Central Board of Revenue is being circulated to the members of the Public Accounts Committee. (Appendix VI).

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
6	Advisability of the retention in the Calcutta depot of Expeditionary Force stamps.	Report of 1927, para. 46.	The entire stock has since been destroyed.
7	Transfer of the control of the roads and buildings in the North-West Frontier Province from the Military Engineering Services to the Public Works Department.	Report of 1927, para. 47.	The question was considered by a Committee which submitted a report in March 1927. The report was subsequently forwarded to the Chief Commissioner, North-West Frontier Province, who has deferred the submission of his views pending consideration by the Government of India of certain proposals in connection with the North-West Frontier Province and Baluchistan Irrigation Surveys.
8	Alteration in the form of the trading accounts of the Imperial Cattle Breeding Farm so as to conform to the type adopted by the Director of Commercial Audit, omitting unnecessary details.	Report of 1927, para. 48.	The forms of these accounts have been revised in consultation with the Auditor General and are appended to the Appropriation Account in respect of Grant No. 57-Agriculture for 1926-27.
9	Examination by the Public Accounts Committee of 1928 of the irregularities brought out in the audit and inspection report on the accounts of the Imperial Institute of Veterinary Research and Dairy for 1925-26.	Report of 1927, para. 49.	To ensure satisfactory maintenance of accounts in future the Agricultural Adviser has been directed to visit the Institute at least twice a year with a view to supervising more closely the administration of the Institute. As regards the minor irregularities noticed in the report, the orders of the Government of India are under issue. The accounts of the Dairy attached to the institute have since been prepared on a commercial basis.
10	Observation that special care should be taken by high officials not to ask for furniture which is inadmissible under rules.	Report of 1927, para. 50.	Necessary instructions have been issued by the Industries and Labour Department (P. W. Branch).

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
11	Impropriety of entrusting a clerk who is responsible for the maintenance of accounts with the disbursement of money.	Report of 1927, para. 51.	Instructions have been issued by the Department of Education, Health and Lands in conformity with the wishes of the Committee.
12	Examination of the question whether the Central Government cannot include in its budget as a receipt from a Provincial Government a sum equivalent to the corresponding expenditure budgeted for by the latter.	Report of 1927, para. 52.	Instructions have been issued by the Finance Department with a view to achieving the desired result.
13	Unreliability of the figures in the statements showing progress of realisation and the store account of the Central Publication Branch, Calcutta, for 1925-26 and incorrect method of showing the value of books issued on book debit.	Report of 1927, para. 53.	Steps have been taken to ensure that the Central Publication Branch prepares and submits in future to the Examiner, Government Press Accounts, for audit correct statements accompanied by necessary details. Under the head "Value of Books issued on Book Debits" the figures based on the average of issues made during two months of the year were furnished through a misapprehension. Actual figures for the whole year will be given in future.
14	Communication of an irregularity to an officer since transferred elsewhere.	Report of 1927, para. 54.	The Chief Commissioner, N. W. F. P., has taken necessary action.
15	Deputation of an officer by the Chief Commissioner, Delhi, to assist the Home Department representative in answering questions asked by the P. A. C. in regard to Delhi expenditure.	Report of 1927, para. 55.	Necessary action has been taken by the Home Department.
16	Examination of the necessity for the continuance of the fixed contract grant sanctioned for Central India.	Report of 1927, para. 58.	It has been decided to discontinue the grant with effect from 1929-30.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
17	Recommendation that an opportunity should be given to the P. A. C. or the Legislative Assembly to express their views before the Governor-General declares as non-votable an item of expenditure which has been votable.	Report of 1927, para. 59.	The question will be considered in connection with the Enquiry by the Statutory Commission.
18	Amplification of the information regarding the capital position of the Posts and Telegraphs Department in the Appropriation Accounts.	Report of 1927, para. 60, sub-para. 2.	The wishes of the P. A. C. have been noted by the A. G., P. and T. and steps taken to comply with them.
19	Consideration of the question of introducing a stores suspense account for stamps.	Report of 1927, para. 61.	The question is under consideration.
20	Alteration in the form of the Demands for Grants, the accounts maintained by the Accountant General, the Appropriation Accounts and the Finance and Revenue Accounts in conformity with the scheme of organisation and control in the Posts and Telegraphs Department.	Report of 1927, para. 62.	With effect from the accounts for 1927-28 there will be complete correspondence between the Budget grants, the Appropriation Accounts, the accounts maintained by the A. G., P. and T. and the Finance and Revenue Accounts.
21	Need for co-operation between the P. and T., Railway and other Departments so as to get a closer estimate of construction of telegraph lines.	Report of 1927, para. 64.	Heads of Engineering Circles have been asked to impress upon the local Railway and canal authorities the desirability of following the authorised procedure for the preparation of the forecast and for the provision of funds for works required by them.
22	Exercise of a check over current purchases of stores so as to make sure that they are made with good judgment and to see whether existing arrangements for purchases cannot be improved.	Report of 1927, para. 65.	The principle which is now followed in the P. and T. Department in the matter of control over the purchase and manufacture of Telegraph Stores has been stated in para. 6 of the Memorandum which forms Appendix

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
			XXIII to the P. A. C.'s Report on the accounts of 1925-26. The Committee's suggestion is being met as orders are placed according to the definite requirements of the Department.
23	Examination of the question of transferring the control of the Indo-European Telegraph Department to India.	Report of 1927, para. 66.	A despatch to the Secretary of State for India on the subject is under preparation and will be sent shortly.
24	Revision of the form of the demands for Railway grants on the lines of the Appropriation Accounts in consultation with the Standing Finance Committee for Railways.	Report of 1927, para. 69.	The question is under consideration.
25	Indication in the table comparing the allotment and the expenditure in grant No. 7-Capital-New construction, of the actual allotment sanctioned by the Legislative Assembly and not the allotment distributed by the Railway Department.	Report of 1927, para. 70.	The recommendation has been given effect to in the Report on the Appropriation Accounts for Railways for 1926-27.
26	Question of issuing general instructions to railway administrations with a view to curtailing the scope of private work orders in workshops.	Report of 1927, para. 72 (sub-para. 1).	The question is under consideration.
27	Steps to be taken for the prevention of loss to Railways owing to defective weighment of goods.	Report of 1927, para. 72 (sub-para. 2).	Ditto.
28	Travelling allowance drawn in excess by a Railway Officer by the use of passes not acknowledged in his travelling allowance bill and question of disciplinary action.	Report of 1927, para. 74.	Ditto.

APPENDIX III.

Statement showing the recommendations or suggestions made by the Public Accounts Committees of 1923, 1924, 1925 and 1926 on which action is still outstanding.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Desirability of amending the leave rules which seem to be unnecessarily complicated.	Report of 1924, para. 33.	The question is under consideration.
2	Preparation and maintenance of an inventory of all Government property, buildings, etc., and the question of the adequacy of the existing system of checking dead stock registers.	Report of 1924, para. 35.	The Public Accounts Committee adverted to this in para. 19 of their Report of 1927. The Auditor General has submitted a report which is now under the consideration of the Finance Department.
3	Introduction of the system of token votes whereby new and important items of expenditure not contemplated when the original estimates were framed and of which the cost can be met from savings within the grant should be brought to the notice of the Assembly.	Report of 1925, para. 20 and Report of 1926, para. 12.	The Government of India submitted their proposals to the Secretary of State who has raised certain points which are under consideration.
4	Establishment of a separate Accounts Office at Peshawar for the N.-W. F. Province.	Report of 1925, para. 28.	Steps are being taken to accelerate the opening of the office.
5	Use of the reserve placed at the disposal of the Finance Department and the question of creating a Civil Contingencies Fund on the English model.	Report of 1925, paras. 30-33 and Report of 1926, para. 12.	Same remarks as against item 3.
6	Treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure, thereby bringing them to the notice of the Public Accounts Committee through the Appropriation Accounts.	Report of 1925, para. 38.	The Auditor General has formulated certain rules which are under the consideration of the Government of India.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
7	Introduction of a system of internal check on Customs receipts, which will ensure an efficient scrutiny of the collection of such dues.	Report of 1925, paras. 40-41 and Report of 1926, para. 29.	The Central Board of Revenue are considering this in consultation with the Officer on Special Duty.
8	Question of enforcing disciplinary action on an officer who has retired between the date of committing an irregularity and the date of its discovery.	Report of 1925, para. 43.	The Public Accounts Committee adverted to the more general question of recovery of losses and disciplinary action in paras. 36-38 of their Report of 1927 and the whole question is under the consideration of the Government of India.
9	Formulation of rules to regulate the placing and control of contracts in India.	Report of 1925, para. 49 and Report of 1926, para. 18.	The Public Accounts Committee adverted to this question in para. 13 of their Report of 1927 and suggested the incorporation of certain broad principles in the rules to be issued by the Finance Department. A draft resolution embodying those principles was prepared and circulated to several Departments replies from some of whom are still awaited.
10	Question of improving the procedure for preventing technical excesses over Public Works grants caused by the difficulty of estimating accurately the result of the <i>pro rata</i> distribution of joint establishment and tools and plant charges over individual grants.	Report of 1925, para. 52.	Orders sanctioning a fixed percentage of departmental charges have been issued in the case of United Provinces and Madras. As regards the other provinces, the question is under consideration.
11	Exhibition of working expenses of commercial departments in the accounts and estimates.	Report of 1926, paras. 10-11.	Proposals were laid before the Secretary of State in 1927 who has decided to postpone consideration pending receipt of the Report of the Statutory Commission.
12	Revision of the Sea Customs Act of 1878.	Report of 1926, para. 30.	The amending Bill has been drafted.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
13	Direct access of the Auditor General to the Secretary of State.	Report of 1926, para. 33.	The Public Accounts Committee adverted to this question in para. 23 of their Report of 1927. The question has been left for examination by the Statutory Commission.
14	Desirability of redrafting Fundamental Rule 45.	Report of 1926, para. 37.	The Fundamental Rules have been revised but the revision of Supplementary, etc. Rules is under consideration in the I. and L. Department (P. W. Branch).
15	Amendment of the Government of India Act in the manner suggested in the Auditor General's memorandum No. T.-517, dated 30th July 1926 (Appendix VI in Report of 1926) so as to remove the anomalous relations between him and the Auditor of Indian Home Accounts.	Report of 1926, para. 41.	The question has been referred to the Statutory Commission for examination.
16	Question of making the Indian Stores Department self-supporting by obtaining more employment for it.	Report of 1926, para. 57.	In paras. 20-21 of their Report of 1927 the Committee adverted to this subject which is still under the consideration of the Department of I. and L.

APPENDIX IV.

Statement comparing expenditure with grants for 1926-27.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
16. Customs ..				
{ Voted ..	71,84,000	66,50,288	5,33,712	..
{ Non-voted ..	13,34,855	13,26,133	8,722	..
17. Taxes on Income ..				
{ Voted ..	63,64,000	57,86,006	5,77,994	..
{ Non-voted ..	2,87,800	2,81,150	6,650	..
18. Salt ..				
{ Voted ..	99,00,000	81,53,598	17,46,402	..
{ Non-voted ..	42,90,700	42,68,100	22,600	..
19. Opium ..				
{ Voted ..	1,52,96,000	99,08,844	53,87,156	..
{ Non-voted ..	76,400	76,776	..	376
20. Stamp ..				
{ Voted ..	1,69,000	2,58,127	..	89,127
{ Non-voted ..	84,000	..	84,000	..
21. Forest ..				
{ Voted ..	8,69,000	6,81,790	1,87,210	..
{ Non-voted ..	4,00,648	3,59,543	41,105	..
22. Irrigation, Navigation, etc.				
{ Voted ..	14,74,000	12,63,720	2,10,280	..
{ Non-voted ..	13,87,900	12,68,693	19,207	..
25. Interest on ordinary Debt and Reduction or Avoidance of Debt.				
{ Voted ..	94,40,000	93,27,463	1,12,537	..
{ Non-voted ..	10,79,28,000	10,91,13,703	..	11,85,703
26. Interest on Miscellaneous Obligations.				
{ Voted ..	23,96,000	24,70,283	..	74,283
{ Non-voted ..	4,88,79,518	4,65,38,223	23,41,295	..
27. Staff, Household and allowances of the Governor General.				
{ Voted ..	10,00,000	3,76,125	6,23,875	..
{ Non-voted ..	9,97,057	10,52,706	..	55,649
28. Executive Council ..				
{ Voted ..	62,000	1,04,501	..	42,501
{ Non-voted ..	4,82,610	4,83,224	..	614

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
29. Legislative Bodies .. { Voted ..	5,69,000	4,45,703	1,23,297	..
Non-voted ..	1,53,200	1,28,154	25,046	..
30. Foreign and Political Department. { Voted ..	8,22,000	7,49,876	72,124	..
Non-voted ..	2,04,150	2,09,280	..	5,130
31. Home Department .. { Voted ..	6,07,000	5,18,875	88,125	..
Non-voted ..	7,29,244	6,94,897	34,347	..
32. Public Services Com- mission. { Voted ..	1,07,000	63,147	43,853	..
Non-voted ..	1,41,500	1,38,015	3,485	..
33. Legislative Department { Voted ..	5,61,000	5,28,791	32,209	..
Non-voted ..	1,77,284	1,68,236	9,048	..
34. Department of Educa- tion, Health and Lands { Voted ..	5,49,000	5,07,148	41,852	..
Non-voted ..	1,52,736	1,49,786	2,950	..
35. Finance Department { Voted ..	9,99,000	9,52,783	46,217	..
Non-voted ..	3,06,350	2,57,672	48,678	..
36. Separation of Accounts from Audit. { Voted ..	12,30,000	12,01,083	28,917	..
Non-voted ..	57,800	55,969	1,831	..
37. Commerce Department { Voted ..	2,87,000	2,62,040	24,960	..
Non-voted ..	87,150	82,265	4,885	..
38. Army Department .. { Voted ..	5,55,000	4,72,898	82,102	..
Non-voted ..	1,05,465	1,14,549	..	9,084
39. Department of Indus- tries and Labour. { Voted ..	4,85,000	4,42,805	42,195	..
Non-voted ..	1,01,960	96,941	5,019	..
40. Central Board of Reve- nue. { Voted ..	1,88,000	1,71,641	16,359	..
Non-voted ..	1,15,300	1,08,853	6,447	..
41. Payments to Provincial Governments on ac- count of Administra- tion of Agency Subjects { Voted ..	1,44,000	1,31,141	12,859	..
Non-voted ..	1,30,000	1,37,824	..	7,824
42. Audit .. { Voted ..	71,92,000	71,19,777	72,223	..
Non-voted ..	6,02,100	6,13,406	..	11,306

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
43. Administration of Justice.	Voted .. 1,88,000	1,26,955	61,045	Rs.
	Non-voted .. ..	..	..	..
44. Police ..	Voted .. 2,10,000	1,66,590	43,410	..
	Non-voted	2,256	..	2,256
45. Ports and Pilotage ..	Voted .. 26,27,000	21,21,217	5,05,783	..
	Non-voted .. 12,01,260	11,83,039	18,221	..
46. Survey of India ..	Voted .. 30,40,000	28,54,805	1,85,195	..
	Non-voted .. 8,10,460	7,81,941	28,519	..
47. Meteorology ..	Voted .. 9,17,000	8,10,521	1,06,479	..
	Non-voted .. 51,300	49,819	1,481	..
48. Geological Survey ..	Voted .. 2,12,000	1,60,141	51,859	..
	Non-voted .. 4,09,478	3,97,130	12,348	..
49. Botanical Survey ..	Voted .. 6,86,000	3,61,318	3,24,682	..
	Non-voted .. 28,800	28,314	486	..
50. Zoological Survey ..	Voted .. 1,46,000	1,43,850	2,150	..
	Non-voted .. 26,780	26,311	469	..
51. Archæology ..	Voted .. 16,30,000	15,90,252	39,748	..
	Non-voted .. 61,000	60,138	862	..
52. Mines ..	Voted .. 1,73,000	1,49,961	23,039	..
	Non-voted .. 1,05,315	1,04,986	329	..
53. Other Scientific Departments.	Voted .. 3,19,000	3,18,413	587	..
	Non-voted .. ..	..	..	..
54. Education ..	Voted .. 7,00,000	6,93,076	6,924	..
	Non-voted .. 1,650	1,570	80	..
55. Medical Services ..	Voted .. 7,98,000	7,67,295	30,705	..
	Non-voted .. 2,67,048	2,57,861	9,187	..
56. Public Health ..	Voted .. 10,97,000	10,54,000	43,000	..
	Non-voted .. 1,41,454	1,25,623	15,831	..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
57. Agriculture ..				
{ Voted ..	15,29,000	12,78,230	2,50,770	..
{ Non-voted ..	2,19,545	2,07,380	12,165	..
58. Civil Veterinary Services.				
{ Voted ..	6,77,000	6,05,596	71,404	..
{ Non-voted ..	71,000	66,397	4,603	..
59. Industries ..				
{ Voted ..	43,86,000	43,29,686	56,314	..
{ Non-voted ..	41,28,900	38,25,498	3,03,402	..
60. Aviation ..				
{ Voted ..	14,89,000	13,03,440	1,85,560	..
{ Non-voted ..	4,000	366	3,634	..
61. Commercial Intelligence and Statistics.				
{ Voted ..	2,47,000	1,95,802	51,198	..
{ Non-voted ..	41,537	44,742	..	3,205
62. Emigration—Internal.				
{ Voted ..	45,000	46,045	..	1,045
{ Non-voted ..	40,245	40,528	..	283
63. Emigration—External.				
{ Voted ..	85,000	77,841	7,159	..
{ Non-voted ..	35,522	35,250	272	..
64. Joint Stock Companies				
{ Voted ..	1,35,000	1,38,364	..	3,364
{ Non-voted ..	4,566	3,566	1,000	..
65. Miscellaneous Departments.				
{ Voted ..	2,47,000	2,16,040	30,360	..
{ Non-voted ..	76,700	69,445	7,255	..
66. Indian Stores Department.				
{ Voted ..	16,27,000	15,30,136	96,864	..
{ Non-voted ..	59,200	55,984	3,216	..
67. Currency ..				
{ Voted ..	60,79,000	58,49,653	2,29,347	..
{ Non-voted ..	1,58,700	1,56,369	2,331	..
68. Mint ..				
{ Voted ..	15,71,000	14,44,993	1,26,007	..
{ Non-voted ..	86,000	84,919	1,081	..
69. Civil Works				
{ Voted ..	1,61,94,000	1,49,07,356	12,86,644	..
{ Non-voted ..	41,24,943	40,28,272	96,671	..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
70. Superannuation Allow- ances and Pensions.	{ Voted .. 37,06,000 Non-voted .. 2,24,84,018	37,34,594 2,24,08,970	.. 75,048	28,594 ..
71. Stationery and Print- ing.	{ Voted .. 34,60,000 Non-voted .. 60,833	31,03,713 52,621	3,56,287 8,212	....
72. Miscellaneous	{ Voted .. 3,03,42,000 Non-voted .. 37,13,176	3,08,64,571 36,66,598	.. 46,578	5,22,571 ..
73. Adjustment with Pro- vincial Governments.	{ Voted .. 6,00,000 Non-voted	4,52,896 ..	1,47,104..	....
74. Refund ..	{ Voted .. 76,04,000 Non-voted .. 2,15,53,317	69,23,361 2,03,76,343	6,80,639 11,76,974	....
75. North-West Frontier Province.	{ Voted .. 1,13,81,000 Non-voted .. 1,10,7^,164	1,11,93,410 1,08,90,273	1,87,590 1,87,891	....
76. Baluchistan	{ Voted .. 27,22,000 Non-voted .. 44,11,590	26,15,128 43,98,357	1,06,872 13,233	....
77. Delhi	{ Voted .. 35,74,000 Non-voted .. 2,47,128	34,89,647 2,38,948	84,353 8,180	....
78. Ajmer-Merwara	{ Voted .. 14,81,000 Non-voted .. 1,55,880	13,71,722 1,48,308	1,09,278 7,572	....
79. Andamans and Nicobar Islands.	{ Voted .. 40,72,000 Non-voted .. 2,10,561	37,03,903 1,90,629	3,68,097 19,932	....
80. Rajputana	{ Voted .. 5,36,000 Non-voted .. 7,45,600	4,69,099 7,52,456	66,901 ..	.. 6,856
81. Central India	{ Voted .. 5,90,000 Non-voted .. 6,53,000	5,49,352 6,17,875	40,648 35,125	....
82. Hyderabad	{ Voted .. 77,000 Non-voted .. 2,90,500	48,990 2,75,830	28,010 14,670	....

Number and name of Grant.		Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
				Less than Granted.	More than Granted.
		Rs.	Rs.	Rs.	Rs.
83. Expenditure in England under the control of the Secretary of State for India.	Voted ..	17,47,000	14,67,950	2,79,050	..
	Non-voted ..	15,63,060	14,83,468	79,532	..
84. Expenditure in Eng- land under the control of High Commissioner for India.	Voted ..	16,43,000	13,93,168	2,49,832	..
	Non-voted ..	41,59,150	40,98,109	61,041	..
Ecclesiastical		30,74,030	29,98,660	75,370	..
Political		1,78,22,697	1,74,52,535	3,70,162	..
Territorial and Political Pensions ..		31,27,116	30,60,699	66,417	..
Bangalore		12,26,786	11,96,909	29,877	..
Western India States Agency ..		12,40,100	12,21,402	18,698	..
Census .. ..		..	1,991	..	1,991
Total	Voted ..	18,90,38,000	17,31,74,124	1,66,27,352	7,63,476
	Non-voted ..	27,91,85,776	27,49,90,792	54,83,270	12,88,286
B.—EXPENDITURE CHARGED TO CAPITAL.					
85. Capital outlay on Security Printing ..		16,72,000	16,49,855	22,145	..
85A. Capital outlay on Currency Note Print- ing Press.	Voted ..	8,31,000	8,35,839	..	4,839
	Non-voted ..	30,600	30,562	38	..
86. Irrigation works—Not charged to Re- venue.		1,000	—70,632	71,632	..
89. Capital outlay on Vizagapatam Har- bour.		48,70,000	31,86,465	16,83,535	..
90. Commuted value of Pensions.	Voted ..	20,00,000	22,87,124	..	2,87,124
	Non-voted ..	15,00,000	5,98,098	9,01,902	..
91. Delhi Capital outlay ..	Voted ..	97,48,000	55,20,906	42,27,094	..
	Non-voted ..	6,35,650	6,42,211	..	6,561
Total	Voted ..	1,91,22,000	1,34,09,557	60,04,406	2,91,963
	Non-voted ..	21,66,250	12,70,871	9,01,940	6,561

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
C.—DISBURSEMENT OF LOANS AND AD- VANCES.	Rs.	Rs.	Rs.	Rs.
92. Interest Free Advances	1,02,85,000	1,07,10,746	..	4,25,746
93. Loans and Advances bearing Interest	9,10,72,000	7,43,00,785	1,67,71,215	..
Total voted ..	10,13,57,000	8,50,11,531	1,67,71,215	4,25,746
Total Civil ..	59,08,69,026	54,78,56,875	4,57,88,183	27,76,032
Voted ..	30,95,17,000	27,15,95,212	3,91,02,973	14,81,185
Non-voted ..	28,13,52,026	27,62,61,663	63,85,210	12,94,847

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART II.—POSTS AND TELEGRAPHS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
3 Indian Posts and Tele- graphs Department.	Voted ..	10,29,48,000	10,00,89,172	28,58,828 ..
	Non-voted ..	72,08,000	64,60,478	7,47,522 ..
4 Indo-European Tele- graph Department.	Voted ..	33,29,000	24,86,359	8,42,641 ..
	Non-voted ..	13,53,023	11,89,829	1,63,194 ..
Total	Voted ..	10,62,77,000	10,25,75,531	37,01,469 ..
	Non-voted ..	85,61,023	76,50,307	9,10,716 ..
B.—EXPENDITURE CHARGED TO CAPITAL.				
7. Capital outlay on Indian Posts and Telegraphs.	Voted ..	60,89,000	34,25,136	26,63,864 ..
	Non-voted ..	8,000	4,231	3,769 ..
8. Capital outlay on Indo- European Telegraphs	Voted ..	—1,65,000	—1,70,237	5,237 ..
	Non-voted ..	..	..	.. ..
Total	Voted ..	59,24,000	32,54,899	26,69,101 ..
	Non-voted ..	8,000	4,231	3,769 ..
Total Posts and Telegraphs ..		12,07,70,023	11,34,84,968	72,85,055 ..
Total	Voted ..	11,22,01,000	10,58,30,430	63,70,570 ..
	Non-voted ..	85,69,023	76,54,538	9,14,485 ..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.*				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board.	{ Voted .. 9,68,000 Non-voted .. 5,15,000	10,50,000 4,94,000	.. 21,000	82,000- ..
2. Revenue—Inspection	{ Voted .. 1,10,000 Non-voted .. 2,71,000	1,08,000 2,96,000	2,000 ..	.. 25,000
3. Revenue—Audit	{ Voted .. 8,74,000 Non-voted .. 64,000	8,01,000 57,000	73,000 7,000	....
4. Revenue—Working Expenses—Adminis- tration.	{ Voted .. 12,68,99,000 Non-Voted .. 52,30,000	12,27,16,000 47,09,000	41,83,000 5,21,000	....
5. Revenue—Repairs and Maintenance and Ope- ration.	{ Voted .. 41,44,40,000 Non-voted .. 1,13,000	39,45,86,000 1,08,000	1,98,54,000 5,000	....
6. Revenue—Companies; and Indian States' share of surplus profits and net earnings. (Voted).	1,61,30,000	1,65,56,000	..	4,26,000
9. Revenue—Appropriation to Deprecia- tion Fund. (Voted).	11,05,00,000	10,88,58,000	16,42,000	..
10. Revenue—Appropriation from Depre- ciation Fund. (Voted).	8,50,00,000	8,04,65,000	45,35,000	..
11. Revenue—Miscellane- ous.	{ Voted .. 43,60,000 Non-voted .. 4,40,000	38,43,000 4,03,000	5,17,000 37,000	....
12. Revenue—Appropriation to the Re- serve Fund. (Voted).	2,70,07,000	1,48,53,000	1,21,54,000	..
13. Revenue—Appropriation from the Reserve Fund.	7,06,000	..	7,06,000	..
14. Revenue—Strategic Lines.	{ Voted .. 1,70,13,000 Non-voted .. 49,000	1,51,33,000 15,000	18,80,000 34,000	....
State Railways Revenue—Interest on Debt. (Non-voted)	24,45,76,000	24,29,80,000	15,96,000	..
2. Interest on Capital contributed by Com- panies (Non-voted).	1,59,27,000	1,56,90,000	2,37,000	..
Total	{ Voted .. 80,40,07,000 Non-voted .. 26,71,85,000	75,89,69,000 26,47,52,000	4,55,46,000 24,58,000	5,08,000 25,000

*In the Audit and Appropriation Account, figures have been given in thousands only. For the sake of uniformity these figures have been shown in this statement by units by adding three noughts to figures given in the months.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
B.—EXPENDITURE CHARGED TO CAPITAL.				
7. Capital—New Construction.	{ Voted .. 6,45,07,000 { Non-voted .. 5,00,000	6,53,08,000 2,32,000	.. 2,68,000	13,01,000 ..
8 Capital—Open line works.	{ Voted .. 19,98,81,000 { Non-voted .. 2,59,000	20,10,46,000 1,29,000	.. 1,30,000	11,65,000 ..
15 Capital Strategic Lines	{ Voted .. 73,43,000 { Non-voted .. 57,000	50,35,000 29,000	23,08,000 28,000	....
Capital—Discharge of Debentures (Non-voted)..	3,61,85,000	2,63,73,000	98,12,000	..
Total	{ Voted .. 27,17,31,000 { Non-voted .. 3,70,01,000	27,18,89,000 2,67,63,000	23,08,000 1,02,38,000	24,66,000 ..
	Total Railways ..	1,37,99,21,000	1,32,23,73,000	6,05,50,000 29,99,000
	Voted ..	1,07,57,38,000	1,03,08,58,000	4,78,54,000 29,74,000
	Non-voted ..	30,41,86,000	29,15,15,000	1,26,96,000 25,000

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT	
			Less than Granted.	More than Granted
	Rs.	Rs.	Rs.	Rs.
PART IV—MILITARY.				
A.—EXPENDITURE CHARGED TO REVENUE.				
Army	India .. 45,49,88,245	46,17,82,446	..	67,94,201
	England .. 9,75,04,000	9,66,88,426	8,15,574	..
Marine	India .. 48,78,430	46,15,997	2,62,433	..
	England .. 19,60,000	19,17,484	42,516	..
Military Engineer Services	India .. 4,32,46,328	4,37,57,596	..	5,11,268
	England .. 4,60,000	4,01,940	..	1,940
Total Military .. Non-voted ..	60,29,77,003	60,91,63,889	11,20,523	73,07,409
Grand Total ..	2,69,45,40,052	2,59,28,78,732	11,47,43,761	1,30,82,441
Voted ..	1,49,74,56,000	1,40,82,83,642	9,36,27,543	44,55,185
Non-voted ..	1,19,70,84,052	1,18,45,95,090	2,11,16,218	86,27,256

APPENDIX V.

Memorandum furnished by the Central Board of Revenue with reference to paragraph 28 of the Report of the Public Accounts Committee on the accounts of 1925-26.

When giving evidence before the Public Accounts Committee in August 1927, Mr. Lloyd, Member, Central Board of Revenue, promised to give the next Committee a statement or report showing the result of the Electrification Scheme at Khewra. This report is accordingly submitted herewith. The subject was not raised in the Audit and Appropriation Accounts upon which Mr. Lloyd was being examined in August 1927, and he had not had occasion to study it closely for a considerable time before that date; he now wishes it to be understood that all that he then said on the subject is superseded by what is stated in this report.

2. The need for electrifying the Khewra Mine had been felt at least since 1913. Electricity was found necessary for various objects: firstly, to light the mine and to ventilate it; secondly, to get rid of oil engines with their exhaust fumes and steam engines with their smoke, both of which pollute the air in the mine; thirdly, to enable salt to be worked at greater depths which becomes necessary as the more easily accessible deposits have been exhausted; and lastly to mechanize, consistently with economy, haulage within the mines, transport from the mines to the Depot and loading there. The practice of running steam locomotives into the mine was objected to years ago by the Chief Inspector of Mines and was originally only tolerated as a war-time concession.

3. There has been no doubt at any time as to the need for electricity. In regard to that expert opinion has been unanimous. Whatever delay there may have been in the past, or whatever differences of opinion there may have been among the technical advisers of Government or the officers of the Salt Department, have related only to details of the scheme, the designs and specifications and the extent to which different processes should be electrified.

4. The Scheme has not yet been fully given effect to. Two important parts of the Scheme, viz., traction both within the mines and between the mines and the Depot, and the loading at the Depot have not yet been finally settled. The delay is due to the examination of alternative designs with a view to economy in operating costs. It is hoped that a final decision will be reached soon.

The following is a complete list of purposes to which it has at any time been suggested that electricity should be applied at Khewra:—

1. Haulage in the mine—

(a) to raise salt from the low levels;

(b) to bring loaded tubs from the lines near workings and from the tops of haulage inclines to the marshalling stations in the mine whence they go in rakes to the depot;

- (c) to bring empty tubs back from those stations to the workings and the tops of inclines ;
- (d) for haulage from the marshalling stations to the depot (railway yard) over a mile away, and back again.
- 2. Air-compressors to drive the drills used in development work.
- 3. Working ventilation fans in the mine.
- 4. Running the workshop.
- 5. Pumping in the mine and (latterly) from the subsidence.
- 6. Lighting of mine.
- 7. Lighting and fans—
 - (a) in office and workshop ;
 - (b) in bungalows and quarters.
- 8. Mechanical cutters.

All the above items, except 1 (Haulage) and a minority of the mine pumps under 5, are now electrically worked. Item No. 8 may also be added to these for the present, since the cutting machines are out of action.

An expert estimate in 1924 of the demand on the power station (excluding locomotives), which gave the total gross number of kilowatts as 512, divided this as follows :—

(A) Items 1 (excluding locomotives) and 8, $130+40=170$ K. W.

(B) Items 2 to 7, $250+15+25+25+11+16=342$ K. W.

The power required for the locomotives would be (say) 45 K.W.

Details as to pumps in mines are not available but we might transfer 10 K.W. from (B) to (A) because only the "majority" of the pumps are electrified. Thus, out of a total of 557 K.W., uses (A) representing 225 K.W. (40 per cent.) are not yet adopted and those representing (B) 332 K.W. (60 per cent.) have been adopted.

It may be explained that the adoption of item (a) under 1 above (Transport, raising salt from low levels) was regarded as a matter of urgency in 1913 and during the War, because the more accessible salt was being worked out and horizontal development was prevented by lack of labour : due in the main to the use of the compressed air installation, a more scientific development of the mine has become possible, horizontal development largely taking the place of the easier vertical working, and the need for power to raise salt from lower levels being thereby postponed.

5. It was recognised from the beginning—as early as 1916—that the Electrification Scheme would make it necessary to raise the price of salt. As will have been seen, the objects of Electrification were such that its introduction was necessary, irrespective of the financial results. The only financial consideration before Government therefore has been all along how to keep as low as possible the additional cost that was inevitable.

6. There are as yet no adequate data for estimating the financial effect of the Scheme. What has been carried out was completed only in 1926, and it

is still by no means complete. We do not yet know the results of its working during the year 1927-28, since the accounts of that year have not yet been closed by the Audit Officer. Overhead charges that, when the Scheme has been fully given effect to, will be light, are now comparatively heavy. Moreover, it should be remembered that the financial results depend to a large extent on output. Under the influence of the impression created by the shortage of salt during the war, this Scheme at Khewra was also regarded, like the Sambhar Scheme, partly as an insurance against a possible shortage of salt in India as a whole during a crisis. The Scheme has therefore been designed to cope with an output very much larger than it is necessary to produce under normal conditions. As a consequence the Khewra Mines are being indirectly saddled with a fairly substantial debit which should really be borne by general revenues as representing a premium paid to insure the country as a whole against a shortage of salt. Further, it has been the policy of the Board to limit the output of the various sources to actual requirements—a matter to which sufficient attention had perhaps not been paid in the past. It would be easy enough, but clearly not financially sound, to reduce the cost per unit very largely by recklessly increasing production.

7. For the reason given above, the results of the year 1926-27, which is the latest year for which we have figures, are misleading. With the help of the Audit Officer, however, the Central Board of Revenue has prepared an estimate of cost of production in a normal year for the Salt Range Sources as a whole (not for the Khewra Mines alone). This estimate is of course hypothetical. According to it the cost of production works out at As. 4-11 a maund after taking into account all direct and indirect costs. This shows an increase of $2\frac{1}{2}$ annas a maund over the average cost of production in 1921-23 when miners' wages were last raised at Khewra. Of this increase of $2\frac{1}{2}$ annas, 1 anna 10 pies is accounted for as below :—

	Rs. A. P.		
Leave, pension and audit charges (not taken into account before or insufficiently taken into account) 0 0 3
Supervision (not taken into account before) 0 0 3
Interest and Depreciation (Depreciation not allowed before and Interest only on a small capital) 0 1 0
Weighment charges (not included before) 0 0 4
			<hr/>
			0 1 10
			<hr/>

The increase in the cost of production is therefore largely apparent and not real. It is due to the inclusion in the cost of items that were formerly excluded ; in other words, it is due merely to an improvement in methods of accounting. Part of the 8 pies a maund that still remains to be accounted for is due to increase in salaries and additional establishments ; this cannot be accurately estimated but about 2 or 3 pies a maund may be set against this cause. Another part, no doubt, represents the extra cost of working deposits that become steadily less accessible. This cannot be easily estimated. A part of the balance of a few pies may represent increased operating costs on account of the introduction of

electricity, but until we have fuller data, no definite conclusion is possible as to whether the operating costs have really been higher after electrification than they were before. It is conceivable that operating costs are now lower than before the electrification. Any additional operating costs, as well as a part of the Interest and Depreciation charges, should perhaps be regarded, as already stated, as a form of national insurance to be borne by the general tax-payer, and not by the consumer of Khewra salt. The Audit Officer estimates this figure at 5 pies a maund.

8. As already stated, however, the above figures are all estimates based on a hypothetical output in a normal year. The figures for the different sources in the Salt Range Division have not been hitherto kept separately and it is therefore impossible to work out the true cost of production at Khewra. The accounts have been kept separately for each source since 1st April 1927 and when the Central Board of Revenue is in possession of the results of the year 1927-28 it will study the necessity for any change in the sale price of salt and the possibility of effecting further economies in the mines. The figures are expected to be received from the Audit Officer in August-September.

9. The question of reducing expenditure and improving methods everywhere in the Salt Department is under the constant attention of the Central Board of Revenue. In 1927 the Board reduced the establishment at Khewra by 2 Superintendents and appointed 4 Inspectors instead who cost much less. Quite recently it has decided to alter the basis of payment to miners, thus introducing an effective cross check (which was formerly absent) between issues of salt and payments to miners. It is largely due to the Central Board of Revenue's insistence that no ambitious schemes of mechanization should be undertaken without clear demonstration of the advantages to be secured, whether in the form of economy or otherwise, that the remaining parts of the Electrification Scheme have not yet been introduced and are still under examination.

10. It may be added that the electrification of the mines has providentially proved most helpful in connection with the recent subsidence. If there had been no electricity, it would have been difficult to provide the large power that was unexpectedly required for working the pumps and to convey it to any threatened point according to circumstances; and in any case steam or oil engines would have been unsatisfactory, clumsy and more expensive to work.

APPENDIX VI.

Memorandum furnished by the Central Board of Revenue with reference to paragraph 45 of the Report of the Public Accounts Committee on the accounts of 1925-26.

In paragraph 45 of their Report on the Accounts for the year 1925-26, the Public Accounts Committee made the following remarks in regard to the Electrical Installation at Sambhar Lake :—

“In view of the fact that the generating plant is in operation only during a year of scanty rainfall, and then only for about six weeks, we consider that the Board should examine whether some other method of supplying the power cannot be devised, the present Electric Power House being dismantled.”

This remark is based upon the following passage in the Report of the Accountant General, Central Revenues, on the Audit and Appropriation Accounts for 1924-25 (paragraph 89, page 66) :—

“The main reason for the installation of the Electric Power House was to work the machinery for pumping brine from the Lake to the Main Reservoir. The period during which this pumping operation lasts is about 6 weeks during a year of scanty rainfall, whereas in a year of heavy rainfall no pumping operations are necessary.”

2. The question has now been thoroughly examined with the assistance, the value of which the Central Board desires gratefully to acknowledge, of Messrs. Pitkeathly, Kirkhope and Khan of the Indian Stores Department.

3. In the first place, as has already been explained by the late Finance Member, Sir Basil Blackett, in his speech in the Legislative Assembly on the 20th March 1928, the statements above quoted from the report of the Accountant General, Central Revenues, are not in accordance with the facts. The Member of the Central Board of Revenue who gave evidence before the Public Accounts Committee on the 8th August 1927 wishes to express his regret that he failed to correct this misunderstanding when the opportunity of doing so was afforded to him, having allowed himself to reply too hastily to a question (No. 407) which took the accuracy of the Accountant General's statement for granted.

4. The facts are, as Mr. Pitkeathly has pointed out, that in 1926-27 the pumps consumed about 30 per cent. of the energy generated, and in the first 10 months of 1927-28 about 44 per cent. In 1926-27 the pumps were worked throughout the year, the proportion of the electricity generated that they consumed varying from less than 10 per cent. in September to 50 per cent. in January. In the first 10 months of 1927-28 also the pumps were used every month, and the proportion of the electricity generated that they

consumed varied from 23·23 in June to 62·17 in November. The percentage used out of the total number of units *accounted for* was of course a good deal higher.

5. Though the question raised was thus due to a complete misunderstanding, it may be well briefly to state the answer to it. This is, shortly, that it would be an extremely extravagant, and in every way injudicious course to scrap the Power House as suggested and replace it by a system of separate prime-movers for each pump or other consumer of energy. It would indeed be surprising were this otherwise, seeing that the electric scheme was deliberately introduced after careful consideration by the expert advisers of the Government to replace a smaller scheme in which pumps were driven by separate engines.

6. As matters stand the only possible alternative to the present scheme is—according to our experts—a system of individual oil-engines. These would be, they consider, more economical than steam-engines and more suitable in other ways. It must be remembered that the soil of Sambhar is extremely treacherous, and that it is difficult to transport stores about the lake area. Coal and fire-wood would be troublesome to transport as well as expensive. The difficulty of obtaining water that is not brackish affects both steam-engines and internal-combustion engines. Brackish water is unsuitable for the boilers of the former and the cooling-jackets and radiators of the latter.

7. The estimated cost of the installation of a system of separate-units consisting of internal-combustion engines is Rs. 4,52,216. This includes, as it necessarily must, an estimated loss of Rs. 1,64,000 on the value of the existing plant to be scrapped. This figure represents the original cost—Rs. 4,36,473—of the portion of the installation to be dismantled, less the depreciation already written off, and the estimated sale proceeds which Mr. Pitkeathly says would not exceed Rs. 80,000. Having thus incurred an additional capital expenditure of over 4½ lakhs and sacrificed certain services that the Government as benevolent employers cannot regard as unimportant, namely the electric lighting and ventilation of the Offices and official quarters, as well as the possibility of lighting the Kyars with electricity should it become necessary in seasons of intensive working, not to mention the general facility and flexibility that an electric installation affords for dealing with break-downs, replacements and the installation of temporary plant in emergencies, also all the advantages of centralised control and consequent ease of supervision, would the Government find the balance of advantage redressed by large economies in operation? The answer is that they would not. The new separate-unit installation would cost Rs. 10,778 per annum more to run than the existing installation.

It therefore seems to be sufficiently obvious that this subject should not be pursued.

APPENDIX VII.

Report by Mr. Pitkeathly with reference to paragraph 45 of the Report of the Public Accounts Committee on the accounts of 1925-26.

I must express my deep regret that I have not been able to deal with this case before now; but I have been very fully occupied with many urgent matters, and I have found it impossible to find time to deal with the question raised in Mr. Tottenham's note of the 1st October 1927.

2. The first question on which I am asked to express an opinion is the suggestion made by the Public Accounts Committee that the advisability of dismantling the present electrical plant at Sambhar and replacing the same with some other kind of prime movers and pumping plant should be considered.

3. When this suggestion was made by the Public Accounts Committee, it appears that they were given the impression that the pumping plant at Sambhar was only used for a short period during years of unfavourable rainfall. This is not the case. It may be quite true that some individual pumping units at Sambhar are only used for short periods of the year; but I do not think the fact that one cog of a machine is only called upon to work at intervals is a good reason to condemn the whole machine. It is essential to consider the pumping scheme at Sambhar as a whole, as the entire scheme is part of the machine for the production of a certain commodity, and it is entirely wrong to judge the scheme by the amount of work done by the individual units of the scheme. In order to see to what extent the electrical energy produced in the Power House at Sambhar is used for pumping and for other purposes, I visited Sambhar in March last, and from the records available in the General Manager's Office I obtained some figures which will help us to obtain a correct perspective of the position.

4. I append to this note two statements (I and II), in which I have shown the units generated month by month from April 1926 to March 1927, and from April 1927 to January 1928. I have also shown the units consumed for pumping and for other purposes on the works during the same periods. It will be noted that the total number of units generated in 1926-27 amounted to 433,205, and of these 133,565 units were used in the pumps. The units consumed by the pumps over the whole year represented approximately 30 per cent. of the total units generated. It will also be seen that throughout the whole year the power station was called upon to supply energy for pumping. This demand varied between wide limits. In September 3,267 units, or less than 10 per cent. of the total units produced, were used in the pumps against a consumption in January of 19,961 units, or 50 per cent. of the total units produced. During the first ten months of the year 1927-28, 381,340 units were generated and 167,335 units, or approximately 44 per cent. of the total units generated, were consumed by the pumps. During this year the Power Station was called upon to supply energy for pumping purposes in every month. The demands varied from 6,456 units in June to 37,050 units in November.

5. It is evident from the figures which I have quoted that pumping operations of one kind or another go on throughout the year and are not

confined to a few weeks, as suggested by the Public Accounts Committee. As I have already stated, some of the pumps are only required during certain periods but it is necessary to look at the scheme as a whole when considering the question of the power installation, and I do not think scrapping of the Electrical Installation could be justified on the grounds that some individual pumps are only called into service for short periods and are not in continuous operation throughout the year. Unfortunately the records of the number of hours each pumping unit was in service throughout the years mentioned were not available during my visit, but statements showing the units consumed in each pumping unit month by month have been prepared, and are attached to this note (Appendices III and IV). From these statements it will be seen that all the pumps at Sambhar have been in use at one time or another throughout the whole period, and I think the position should be clearly explained to the Public Accounts Committee.

6. Before expressing an opinion on the merits of the proposal to scrap the Electrical Installation and to substitute some other motive power for pumping, I think it will be well if I endeavour to indicate, even approximately, what this proposal will cost. It is obviously impossible for me to estimate accurately the cost of the change, but I was able to go into the matter on general lines when I visited Sambhar, and I think the figure of cost which I give later may be assumed to be reasonably near the mark.

7. If it is decided to do away with the Electrical Installation, it will be necessary to instal prime movers on each of the pumps and other power using appliances. Steam engine prime movers will not be satisfactory, as there is difficulty about a satisfactory supply of water suitable for steam boilers. Also the cost of operating a number of steam engines, scattered over the large area, covered by the salt works, will be exceedingly high—much higher, in fact, than the cost of pumping by electricity. The only suitable type of prime mover for the purpose is the internal combustion engine, and I have framed my estimate on the assumption that oil engine prime movers will be adopted. It will readily be understood that the substitution of oil engines for electric motors will, in most cases, involve very considerable structural alterations to the buildings. Several of the pumps have been specially designed for electric drive, and many make-shift arrangements will have to be adopted in making the change over. I have endeavoured to estimate the cost of such arrangements, but it is impossible to do so accurately until drawings have been prepared and all arrangements considered in detail.

Estimate of cost of replacing Electric Motors by oil Engines.

(1) *Japog pumping Station*.—Two 40 B. H. P. Motors to be replaced by one 80 B. H. P. Oil Engine :—

	Rs.
Extension to building, 400 sq. ft. at Rs. 8	3,200
Foundation of Engine, 576 cub. ft. at Rs. 70 % c. ft. ..	400
Counter-shafting to drive two pumps	1,200
Water storage tanks	2,750

	Rs.
Water cooling arrangements	3,000
Erection of engine and accessories	1,500
80 B. H. P. Crude Oil Engine	15,000
Overhead Crane in engine room	1,500
Belting for countershaft drive	250
Oil storage tanks and pipes	2,000
Sundry building work	500
Dismantling and packing motors	250
	<hr/>
	31,550
Contingencies and unforeseen 10 % ..	3,155
	<hr/>
Total ..	34,705

(2) *Gudha Regulator*.—Two special pumps, each driven by 40 B. H. P. Motor, to be replaced by two 40 B. H. P. Oil Engines :—

	Rs.
Extension to building, 300 sq. ft. at Rs. 8 sq. ft. ..	2,400
Foundation of engines, 700 c. ft. at 70 % c. ft. ..	490
Two 40 B. H. P. Oil Engines at Rs. 7,500 each ..	15,000
Water storage tanks at Rs. 1,200 each	2,400
Water cooling arrangements at Rs. 1,000 each ..	2,000
Erection of engines and accessories at Rs. 800 each ..	1,600
Lifting gear in engine room, say Rs. 700	700
Belting at Rs. 200	400
Oil storage tanks, say Rs. 2,000	2,000
Sundry building work, say Rs. 400	400
Dismantling and packing motor at Rs. 125 each ..	250
	<hr/>
	27,640
Contingencies and unforeseen 10 % ..	2,764
	<hr/>
Total ..	30,404

(3) *Japog Charging Pump*.—One 12" Centrifugal driven by 20 B. H. P. Motor, to be replaced by a 20 B. H. P. Oil Engine :—

	Rs.
Engine foundations	200
20 B. H. P. Oil Engine with tanks	4,000

	Rs.
Erection of engine	400
Belting	100
Oil storage tank and piping	500
Sundry building work	300
Dismantling motor and packing	75
	<hr/>
	5,575
Contingencies and unforeseen 10 % ..	557
	<hr/>
Total ..	6,132

(4) *Gudha Booster Pumps*.—Two 7·5 B. H. P. Motors to be replaced by 16 B. H. P. Oil Engine :—

	Rs.
Extension to buildings	1,400
Foundation of engine	200
One 16 B. H. P. Oil Engine with cooling tanks ..	3,500
Countershafting	400
Erection of engine	400
Belting	200
Oil storage tanks and pipes	500
Sundry building work	400
Dismantling motor and packing	100
	<hr/>
	7,100
Contingencies and unforeseen 10 % ..	710
	<hr/>
Total ..	7,810

(5) *Gudha Canal Pumps*.—

Same as Japog Charging Pumps	6,132
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(6) *Gudha Bitterns*.—6" Centrifugal pump 7·5 B. H. P. Motor to be replaced by 7·5 B. H. P. Oil Engine :—

	Rs.
Engine foundation	100
Erection of Engine	100
One 7·5 B. H. P. Oil Engine	1,300
Belting	150

				Rs.
Oil Storage Tank	..	..	..	250
Sundry building work	..	..	..	100
Dismantling motor and packing	..	..	..	50
				<hr/> 2,050
Contingencies and unforeseen 10 %	..			205
				<hr/>
Total	..			2,255

(7) *No. 1 Charging*.—Two special pumps driven by 10 B. H. P. Motors to be replaced by 10 B. H. P. Oil Engines :—

					Rs.
Extension to building	..	..	..	..	700
Engine foundations	..	..	..	..	350
Erection of engines	..	..	..	..	400
Two 10 B. H. P. Oil Engines	..	..	..	..	4,500
Countershafting ..	..	..	..	..	800
Oil storage and piping	..	..	..	..	1,000
Belting ..	..	..	..	..	400
Sundry building work ..	..	..	..	..	400
Dismantling motors and packing	..	..	..	..	100
					<hr/> 8,650
Add contingencies and unforeseen 10 %	..				865
					<hr/>
				Total ..	9,515

(8) *No. 8 Charging*.—One special pump 7·5 B. H. P. Motor to be replaced by a 7·5 B. H. P. Oil Engine :—

					Rs.
Extension to building	..	..	..	..	600
Foundation of engine	..	..	..	..	100
Erection of engine	..	..	..	..	100
7·5 B. H. P. Engine	..	..	..	..	1,300
Belting	..	..	..	..	150
Oil Storage Tank..	..	..	..	..	250
Sundry building work	..	..	..	..	100
Dismantling of motor and packing..			..	..	50
					<hr/>
					2,650
Add contingencies and unforeseen 10 %	..			..	265
					<hr/>
			Total	..	2,915

(9) *No. 9 Charging.*—8" and 12" Centrifugal pumps driven by 15 and 30 B. H. P. Motors to be replaced by oil engines :—

	Rs.
Extension to buildings	1,400
Foundation of engines	400
One 30 B. H. P. Oil Engine	6,000
One 15 B. H. P. Oil Engine	3,500
Oil storage and pipes	1,000
Erection of engines	750
Belting	400
Sundry building work	400
Dismantling motors and packing	100
	<hr/>
	13,950
<i>Add contingencies and unforeseen at 10 %</i> ..	1,395
	<hr/>
Total ..	15,345

(10) *No. 10 Charging.*—

Same as No. 8 Charging 2,915

(11) *No. 9 Bitterns* 4,500

(12) *New Kyar.*—Three 12" Centrifugal pumps to be replaced by three 15 B. H. P. Oil Engines :—

	Rs.
Extension to buildings	1,500
Foundation of engines	600
Three 15 B. H. P. Engines at Rs. 3,500 each	10,500
Erection of engines	750
Oil storage tanks and piping	1,000
Belting	450
Sundry building work	450
Dismantling and packing motors	150
	<hr/>
	15,400
<i>Add contingencies and unforeseen at 10 %</i> ..	1,540
	<hr/>
Total ..	16,940

(13) *New Kyar Bitterns.*—

Same as Gudha Bitterns 2,255

(14) *Add Energies for workshop and water-supply, etc., etc.* 15,000

Grand Total .. 1,56,823

8. It will be noted that my estimate of the cost of replacing the electric motors by oil engines amounts to Rs. 1,56,823. To this figure we have to add the cost of dismantling the whole of the electrical installation and packing the same ready for disposal. I reckon this work will cost, at least, Rs. 20,000. Against this we may expect a credit for the sale of the Electrical Motors, Generating plant and equipment, Transmission line material etc. I hesitate to give any figure of the amount which might be realized from the disposal of this material and plant ; but, having regard to the difficulty in finding a market for second hand plant of this description, I am certain that it would not fetch a penny more than seventy-five thousand, or at the outside eighty thousand rupees. Taking the higher figure, the proposal to scrap the electrical installation will involve a write-off of the whole expenditure incurred on the electrical installation and a probable additional expenditure somewhere in the neighbourhood of one lakh of rupees. I hardly think the proposal is one which can be seriously entertained.

9. With regard to the question of economy, which might be expected from the installation of oil engines, I have not thought it worth while to go into the matter in detail ; but I can say without hesitation that the oil engine installation will be more expensive and troublesome to maintain and operate than the present electrical installation.

10. I think a very great deal too much has been made of the fact that Mr. Bunting's original estimates of the cost of producing power have been greatly exceeded. In an installation of this kind, where so many indeterminate factors exist, it is far from easy to frame an estimate of the cost of producing power with any degree of accuracy. From my examination of the figures which have been given to me, I am convinced that the installation is not unsound ; and I feel that much can be done to improve the efficiency of the installation. I recommend :—

- (1) That the strictest control over all expenditure should be exercised, particularly expenditure incurred in connection with the generation of energy.
- (2) Some officer of greater experience than the present Electrical and Mechanical Engineer should visit Sambhar periodically and satisfy himself that the plant is being properly maintained and efficiently operated.
- (3) Every endeavour should be made to improve the load factor of the generating station, and outside consumers who are obtaining energy from the Power Station on payment should be encouraged to increase their consumption.

11. There are one or two other points in connection with the Electrical Installation at Sambhar on which the late Commissioner, Mr. Ferguson, asked for my opinion before he handed over charge ; but as I was not in possession of the necessary information, I was unable to furnish an opinion before he left India.

12. The first point was the alleged high percentage of " line loss ". I may explain the expression " line loss " means the electrical energy wasted in overcoming the resistance of the transmission line conductors. It was stated that the " line loss " on the installation amounted to the abnormally high figure of about

40 %. This, of course, was a most serious matter and one which called for very careful examination.

12a. During my visit to Sambhar in March last I discovered that up to September or October 1926 there had been faulty connections in some of the meters which registered the power generated and consumed and that all meter readings on which the so-called "line losses" were calculated were inaccurate. I also discovered that the expression "line losses" had been misunderstood and had been taken to mean "Units unaccounted for" and was estimated by deducting from the number metered of units actually consumed the total number of units actually generated as shown on the Power Station meters. It is hardly necessary to explain that the expression "Units unaccounted for" is a very different thing from "line loss". "Units unaccounted for" means all energy which is consumed (1) in the transmission lines; (2) in the transformers and other converting appliances; and (3) any unmetered energy which may be used on the works. I may here explain that the system of transmission at Sambhar is three phase, 3,300 volts, 50 cycles, energy is sent out from the Power House at this pressure and is transformed at various sites to a pressure suitable for the motors and other consuming appliances. Now the loss in transformation under the conditions at Sambhar will amount to at least 5 % and as all the meters on the consuming appliances are on the low tension side of the transform the transformation losses will be included in the figures of "Units unaccounted for" arrived at by deducting the total unit metered at the points of consumption from the total units metered in the generating station. It will be noted from statement I that after the faulty connection on the meters was put right in October the "units" stated to be "unaccounted for" dropped from 44.9 % in September 1926 to 15.6 % in November 1926, and to 10.1 % in January 1927. It will also be noted from statement II that during the first ten months of 1927-28 the total number of units accounted for was 343.912 against 381.340 units generated. This is equivalent to approximately 8.2 % unaccounted for. I consider this result is entirely satisfactory and the electrical installation in this respect compares very favourably with many larger and more up-to-date power stations in India and England, and I do not think that any criticisms against the installation on this account are justified.

13. The next point on which the Commissioner asked me to express an opinion was the suitability of the charge of $2\frac{1}{2}$ annas per unit which is made for energy supplied to the B. B. and C. I. Railway and the Sambhar City Electrical Supply Company. The Audit Officer had pointed out that energy was being supplied to these consumers at lower rate than the cost of production. In considering this point it is necessary to keep in mind the object the Engineer and the Commissioner, Northern India Salt Revenue, had in mind when the proposal to supply energy to outside parties was under consideration. The primary object of the proposal was to improve the load factor on the generating plant in order to reduce the overall costs of generation. It will be seen from the statements I and II attached that the load on the generating station fluctuates between very wide limits, and it is a matter of some difficulty to design a power station which will efficiently deal with widely varying loads. Sufficient plant must be installed to deal with the maximum demand in the station, but this plant will not be fully utilized for a large part of the time, or it may be working at a load which does not permit it to give its highest efficiency. This difficulty

can be partly overcome by arranging the size of generating units in the power station so that the number and size of units working at any time can be adjusted to suit the load on the bus-bars. This was the reason, and as far as I know the main reason, for the installation of the 40 K. W. generating set. By installing this small generating unit it was possible to avoid running one of the larger units in order to supply a comparatively small load, but owing to the fluctuating nature of the load on the station there are times when it is necessary to run two or more generating units although it may not be possible to operate them at their most efficient loads.

14. The only way that the cost of generation in such a power station can be kept within reasonable limits is by the improvement of the load factor, and the load factor can only be improved by obtaining consumers to take a supply of electric energy. When conditions such as we have in the power station at Sambhar have to be faced the decision as to the charge to be made for electric energy is one of some difficulty. If the charge is pitched too high the consumer will not be attracted, and the advantage to be gained from the improved load factor will be lost. I think the B. B. and C. I. Railway considered the charge of 2·5 annas per unit very high and it was only after a good deal of discussion that the Executive Engineer was able to persuade the Railway authority to agree to this charge. My own view is that this charge is a reasonable one and having regard to the object in view in giving this supply, I do not think that Government is put to any loss but on the contrary gains considerably. If the supply to Phulera and Sambhar was discontinued to-day it would not be possible to reduce the power station plant in any way. Nor would it be possible to reduce the staff employed in running the power station. The expenditure on repairs and maintenance of the generating plant would not be less, and the oil fuel consumed in the engines is the only item in the cost of generation which would be reduced. It may be said that the lubricating oil used would be reduced, but I do not consider that this would be the case as the consumption of lubricating oil in the type of engines installed in the power station at Sambhar will vary little on different outputs, but in order to be on the safe side we may allow something for the saving in lubricating oil.

15. Now let us examine the figures of the cost of generation with a view to determining the actual extra cost of producing the energy, supplied to Phulera and Sambhar.

The following are the figures of expenditure on generating of electrical energy during 1926-27 which have been given to me by the Commissioner's office :—

Cost of generation.	Rs.	Cost per unit generated.	Cost per unit accounted for.
(a) Fuel	22,387	·825	1·13
(b) Oil, Waste and Running Stores	10,348	·382	·523
(c) Repairs and maintenance	6,353	·235	·321
(d) Wages of staff	6,936	·256	·351
(e) Salaries of supervising staff, and management, etc.	7,012	·261	·354
Total	53,036	1·959	2·679

The total number of units generated during the year was 433,205 including Phulera and Sambhar, and the cost per unit generated excluding interest and depreciation amounted to :—

$$\frac{53,036 \times 16}{433,205} = 1.959 \text{ annas per unit.}$$

The number of units accounted for was 316.645 and the generating cost per unit accounted for amounted to :—

$$\frac{53,036 \times 16}{316,645} = 2.679 \text{ annas per unit.}$$

The above figures show the cost of generation per unit taking into account the units supplied to Phulera and Sambhar and it will now be of interest to calculate the cost of generation on the assumption that no energy was supplied to these places. As I have said above, the principal item in the cost of generation which will be reduced is the fuel oil.

16. During the year 1926-27 the total number of units sold to Phulera and Sambhar was 96.111 (Phulera 80,700 and Sambhar 15,411).

The value of the oil fuel which would be required to generate this number of units will be :—

$$\frac{1.13 \times .96111}{16} = \text{Rs. 6,788.}$$

In order to be on the safe side I propose to add 10 % to this figure to cover any small saving in lubricating oil which might possibly arise although I am certain that such a saving will not materialise. If the Phulera and Sambhar supply was cut off the total saving in the power station generating costs would amount to Rs. 7,466, or say Rs. 7,500 and the generating cost per unit used on the works of the Salt Department would be :—

$$\frac{(53.036 - 7,500) \times 16}{3,16.645 - 96,111} = 3.3 \text{ annas per unit.}$$

17. It will be noted that the additions of the Phulera and Sambhar loads to the power station results in reducing the cost of generation per unit from 3.3 to 2.679 annas. This reduction is entirely caused by the improvement of the load factor and the position will be further improved as load supply by Phulera and Sambhar increases.

18. We may now very briefly consider whether Government has been put to any actual loss in supplying energy to these consumers at 2.5 annas per unit, and in order to do this we must consider what additional capital and recurring expenditure Government has had to meet in connection with these supplies.

Phulera.

The following capital expenditure has been incurred :—

	Rs.
Buildings	1,709
Transmission Lines	27,250
Sub-station equipment	5,686
	<hr/>
	34,645
	<hr/>

We may take the following rates for interest and depreciation on these items :—

Interest 5.5 % per annum.

Depreciation—

Buildings 2% per annum.

Mains 4 % per annum.

Sub-station Equipment .. 6 % per annum.

The annual charges at these rates will amount to :—

	Rs.
Interest	1,905
<i>Depreciation—</i>	
Buildings	34
Mains	1,090
Transformers	342
	<hr/>
Total ..	3,371
	<hr/>

The additional staff which has been engaged in connection with this supply is two switch board attendants at Rs. 20 per mensem each, or Rs. 480 per annum.

18. With regard to maintenance, I was unable to obtain any figures of expenditure incurred in maintenance of the line and sub-station, but this will not amount to more than about Rs. 10 per mensem.

The total annual charges will be :—

Interest

Depreciation

Staff

Maintenance

On a consumption of 80,700 units, this equals .8 anna per unit :—

$$\frac{3971 \times 16}{80,700} = .8$$

We can now estimate the total actual cost of this supply per unit :—

	As.
Cost of additional fuel consumed in power station ..	1.13
Add 10% for extra lubricating oil .. ..	.113
Recurring cost on account of interest, depreciation on line and sub-stations, equipment and maintenance staff ..	.8
Total actual cost per unit ..	2.043

It will be noted that I estimate that the actual cost to Government amounts to 2.043 annas per unit supplied against which Government receives an average of 2.5 annas per unit and also obtained a better load factor for the Power Station resulting in a general reduction in the cost per unit generated.

19. Sambhar Electric Supply Company.

With regard to this supply the following capital expenditure has been incurred :—

	Rs.
Buildings	946
Mains	1,549
Sub-station equipment	6,783
Total ..	9,278

Taking the same figures for interest and depreciation as in the case of Phulera, we get :—

	Rs.
Interest	510
<i>Depreciation—</i>	
Buildings	19
Mains	62
Sub-station equipment	407
Total yearly charges ..	998

20. As in the case of Phulera, two additional switch-board attendants have been engaged for this supply at a cost of Rs. 480 per annum, and I estimate

an allowance of Rs. 8 per mensem will suffice for maintenance of this line and sub-station. On this basis the total annual charges will be —

	Rs.
Interest and depreciation	998
Staff	480
Maintenance	96
Total	1,574

On a consumption of 15,411 units per annum this is equivalent to 1·63 annas per unit. The actual cost of the supply to the consumer will, therefore, amount to—

	As.
Additional cost of oil fuel	1·13
Add 10 per cent. per extra lubricating oil	·113
Recurring charges on account of interest, depreciation, staff, etc.	1·63
Total	2·873

In this case the actual cost to Government amounts to 2·873 annas per unit against which Government only receives 2·5 annas from the Company. There is, at present, some actual loss in supplying to this consumer; but the value of the load in maintaining an improved load factor in the Power Station must not be lost sight of. It will also be noted that, owing to the comparatively small number of units consumed, the standing charges (interest and depreciation) for this consumer's line and sub-station are high; and, if the consumer could be persuaded to increase his demand, the cost per unit would be reduced, and any loss which is at present incurred on this installation would be wiped out.

I may also note that if the supplies to Phulera and Sumbhar are considered together there is no loss, but a small profit.

21. From an examination of the figures which have been given to me by the Salt Department, I am strongly of the opinion that the endeavours by the Commissioner and the Executive Engineer, Northern India Salt Revenue, to obtain outside consumers in order to improve the load factor and so reduce the cost per unit produced was entirely justified, and I consider that the charge of 2½ annas per unit is a reasonable charge to make. I do not advise any increase in this charge at present, but I strongly advise that every possible encouragement should be given to the outside consumers to increase their energy demand. This applies particularly to the Sambhar City Electrical Supply Company.

STATEMENT I.
1926-27.

Month.	Total units generated.	Total units accounted for.	Percentage loss.	Units used for pumping.	Units used for Phulera.	Units used in Sambhar City.	Workshops.	Miscellaneous.	Remarks.
1926.									
April ..	41,715	26,328	36.8	11,614	5,990	1,580 <i>plus</i> 266	1,676	5,262	
May ..	35,750	21,446	40.0	5,515	6,440	1,055	1,928	6,508	
June ..	31,910	18,695	41.4	2,494	6,240	1,397	1,874	6,690	
July ..	34,630	20,839	39.8	4,703	6,610	1,120	1,786	6,620	
August ..	44,400	29,253	34.1	12,427	7,190	744	1,653	7,239	
September ..	36,980	20,360	44.9	3,267	7,000	1,247	1,428	7,418	
October ..	30,610	23,478	23.3	8,130	6,610	1,589	1,367	5,782	
November ..	26,940	22,730	15.6	9,304	5,860	1,969	1,275	4,322	
December ..	36,970	32,787	11.3	18,277	6,930	1,524	1,691	4,365	
1927.									
January ..	38,630	34,721	10.1	19,961	7,020	1,337	1,673	4,730	
February ..	36,570	32,757	10.4	19,912	6,470	729	1,410	4,236	
March ..	38,100	33,251	15.3	17,961	8,340	914	1,471	4,565	
Total ..	433,205	316,645	23.583	133,565	80,700	15,411	19,232	67,737	

STATEMENT II.
1927-28.

Month.	Total units generated.	Total units accounted for.	Percentage loss.	Units used for pumping.	Units used for Phulera.	Units used in Sambhar City. . .	Workshop.	Miscella- neous...	Remarks.
1927.									
April	49,030	45,766	6.6	28,308	8,000	936	1,607	6,225	
May	39,040	35,280	9.6	16,292	9,210	1,030	1,785	6,963	
June	27,790	24,392	12.3	6,456	9,080	949	1,415	6,492	
July	28,850	25,362	12.09	7,856	8,680	926	1,620	6,280	
August	36,870	32,707	11.2	14,463	8,760	815	1,690	6,979	
September	30,770	27,266	9.26	9,420	8,640	823	1,592	6,791	
October	50,080	45,451	9.2	27,443	8,490	1,320	1,730	6,468	
November	59,610	53,736	8.9	37,058	8,690	1,070	1,841	5,077	
December	32,730	29,816	9.8	12,360	9,560	1,311	1,277	5,308	
1928.									
January	26,570	24,136	9.0	7,679	8,740	1,592	1,236	4,889	
February	..	..	..	..	..	..	..	..
March	..	..	..	..	..	..	..	..
Total	381,340	343,912	8.1625	167,335	88,450	10,772	15,883	61,472	

STATEMENT III.

Details of units consumed in each Pumping Set in 1926-27.

Month.	Pump House Kyar No. 10.	Pump House Kyar No. 9.	Pump House No. 8.	Pump House Kyar I.	New Kyar Charging Pump House.	Jhapog Sulzer Pump House No. 1.	Jhapog Sulzer Pump House No. 2.	Jhapog Charging Pump.	Gudha Regulat- or No. 1.	Gudha Regulat- or No. 2.	New Bittern Pump- ing station.	Gudha Booster Pump- ing station.	Total.
1926.													
April	1,962	4,208	1,636	107	159	..	..	442	2,236	586	278	..	11,614
May	481	1,215	373	..	529	..	..	510	1,249	971	187	..	5,515
June	46	733	183	..	328	..	..	292	603	309	..	..	2,494
July	417	959	29	79	413	..	..	986	905	826	89	..	4,703
August	..	1,088	1,112	2,394	1,473	..	..	1,638	629 } 1,096	966	..	2,358	12,427
September	13	700	7	..	94	..	..	41	23	..	..	1,423	3,267
October	946	1,571	897	1,344	2,163	..	..	571	243	..	30	365	8,130
November	1,187	2,342	1,117	2,106	109	..	..	1,988	..	264	..	191	9,304
December	..	1,214	2,077	4,016	5,225	2,033	1,254	1,150	..	18	..	1,290	18,277
1927.													
January	167	950	..	..	1,314	8,473	8,198	834	..	25	..	..	19,961
February	324	934	372	..	2,729	5,027	8,559	683	..	172	..	1,112	19,912
March	1,753	553	3,919	4,089	3,589	316	785	1,413	..	739	3	902	17,961
Total	7,296	16,467	11,722	14,135	18,125	15,849	18,796	10,548	6,527	5,972	587	7,641	133,565

STATEMENT IV.

Details of units consumed in each Pumping Set in 1927-28.

Month.	Pump House Kyar No. 10.	Pump House Kyar No. 9.	Pump House No. 8.	Pump House No. 1.	New Charging Pump House.	Jhapog Sulzer Power House I.	Jhapog Sulzer Power House II.	Jhapog Charging Pump.	Gudha Regulating or No. 1.	Gudha Regulating or No. 2.	New Bittern Pump.	Gudha Booster Pump.	Total.
1927.													
April	2,666	220	1,322	5,996	7,271	1,537	2,850	2,414	656	908	364	2,044	28,308
May	1,516	2,930	1,814	..	2,684	..	..	1,459	364	..	2,386	3,139	16,292
June	992	1,188	500	..	180	..	..	767	..	945	364	1,520	6,456
July	1,652	723	1,721	297	790	31	..	519	..	159	697	1,258	7,856
August	510	1,746	1,306	3,163	667	2,786	1,979	756	273	832	..	445	14,463
September	961	4,905	1,610	..	716	326	..	765	35	..	34	68	9,420
October	1,898	1,218	3,126	5,960	6,404	4,503	..	1,702	1,395	1,237	..	..	27,443
November	1,666	767	252	1,476	1,589	12,512	11,064	200	6,628	748	..	156	37,058
December	1,289	1,950	408	4,543	1,181	145	3	430	1,138	676	..	597	12,360
1928.													
January	1,539	2,149	..	..	2,648	..	..	961	168	..	..	214	7,679
February	..	..	..	..	..	..	..	..	..	..	..	..	..
March	..	..	..	..	..	..	..	..	..	..	..	..	..
Total	14,689	17,796	12,059	21,435	24,139	21,840	15,896	9,973	10,657	5,565	3,845	9,441	167,335

APPENDIX VIII.

Letter from the Auditor General, No. T. 21/500-Admn.-25, dated the 23rd April 1928, regarding allegations against the efficiency of audit officers.

I have the honour to invite a reference to paragraph 7 of the memorandum No. C. No. 2391-Salt-27, dated 25th August 1927, furnished by the Deputy Secretary (Central Revenues), which is printed as Appendix XXIV in the Central Public Accounts Committee's report on the accounts of 1925-26, Volume I, relating to the subject mentioned above, and to request that the Government of India will be so good as to present to the coming Public Accounts Committee a copy of my letter No. 120-Admn.-500-25, dated the 23rd January 1928 (Annexure I), and of the Government of India's (Finance Department) reply thereto No. D.401-A., dated 15th February 1928 (Annexure II).

ANNEXURE I.

COPY OF LETTER FROM THE AUDITOR GENERAL, No. 120-ADMN./500-25, DATED THE 23RD JANUARY 1928.

I have the honour to invite the attention of the Government of India to the orders contained in paragraph 18 of the Resolution in the Finance Department (Central Revenues) No. C.-391-Salt/25, dated the 26th May 1927, in which they discussed certain audit objections raised in connection with the Sambhar Improvement Scheme.

2. I feel bound to represent that the comment contained in the latter part of that paragraph does considerably less than justice to the officer who was serving as Accountant General, Central Revenues, in September 1921. When that officer urged the need of a local audit of the Sambhar Works, he described the matter as one "of considerable importance". The existing system had, contrary to his advice, been approved by the then Auditor General and the Government of India only a few years previously, and his reference to it as "not quite safe" was an example of moderation of wording for which, in the circumstances, he can hardly be blamed. I submit that, in pressing the matter again upon the Government of India as one of considerable importance, he did all that his duty required of him.

3. In forwarding the Accountant General's report to the Government of India, I definitely expressed the opinion that a local audit was undoubtedly the best form of audit for application to accounts of this kind. I received no reply to this communication, and the question was left over for consideration in conjunction with the formulation of suitable capital and revenue accounts for the Salt Department. It was not until October 1923 that the matter was finally settled, and a local audit introduced with effect from the accounts of 1924-25.

4. If it be argued that the Accountant General, Central Revenues, and I myself were to blame for not pressing the matter upon the attention of the Government of India in the interval, I can only reply that the inception of the proposed local audit was not at the time a matter of practical politics. The Accountant General, Central Revenues, had no staff available to undertake it. At that very period I was engaged in vainly urging the Government of India to provide the Accountant General with additional staff which was essential for the performance of far more important duties already devolving upon him. The result of my request was such that I felt it incumbent upon me to intimate formally to the Government of India my inability to fulfil, with the establishments at my disposal, the obligations imposed upon me by statutory rules. In this connection I would invite attention to my letters No. 1883-E./994-22 and 2001-E./171-22, dated respectively the 3rd and the 25th May 1922. In the circumstances explained in those letters, it would have been ludicrous to press the Government of India to agree to an extension of the Accountant General, Central Revenues' sphere of action.

5. In view of the facts explained in the present letter, I venture to suggest that the Government of India should in future allow me an opportunity of meeting allegations against the efficiency of my officers before such allegations are incorporated in official orders.

ANNEXURE II.

COPY OF LETTER TO THE AUDITOR GENERAL, No. D./401-A, DATED THE 15TH FEBRUARY 1928, WITH ENDORSEMENT TO ALL DEPARTMENTS OF THE GOVERNMENT OF INDIA (INCLUDING THE FINANCIAL ADVISERS) AND THE CENTRAL BOARD OF REVENUE.

With reference to your letter No. 120-Admn./500-25, dated the 23rd January 1928, I am directed to say that the Government of India have taken note of the suggestion made in paragraph 5 of that letter that the Auditor General should in future be given an opportunity of meeting allegations against the efficiency of his officers before such allegations are incorporated in official orders.

APPENDIX IX.

Memorandum furnished by the Auditor General with reference to paragraph 57 of his letter No. 213-Rep./55-Admn.-28, dated the 5th July 1928.

The object of this Memorandum is to place before the Committee on Public Accounts a fuller statement of the matters referred to, under the heading "loss or risks of loss in connection with collection of marble," in paragraph 104 (page 67) of the Accountant General's Report on the Appropriation Accounts of the Grant for Delhi Capital Outlay for 1926-27.

2. The Manufacture Account appended to the Appropriation Account (page 582) for 1924-25 showed the year's figures of the account for "Collection of Marble for Central Buildings" as follows:—

						Rs.
1. Opening balance	..	..	..	..	—
2. Value received during the year	..	..	..	..	..	3,96,038
3. Total	..	..	..	..	..	3,96,038
4. Value issued during the year	..	..	..	..	..	1,73,723
5. Closing balance	..	..	..	..	..	2,22,315

The following note was appended to the Account:—

"No verification or revaluation was done, but it is stated that the closing balance includes a certain amount of loss."

3. In the Appropriation Account (page 492) for the next year, viz., 1925-26, the Manufacture Account for collection of marble for Central Buildings stood as follows:—

						Rs.
1. Opening balance	..	..	..	..	..	2,22,315
2. Value received during the year	..	..	..	..	..	4,98,820
3. Total	..	..	..	..	..	7,21,135
4. Value utilized, sold or otherwise disposed of during the year	..	..	..	..	..	3,36,998
5. Closing balance	..	..	..	..	..	3,84,137

The appended note read as follows:—

"A preliminary examination of the accounts disclosed the fact that the wastage on certain items of expenditure had been underestimated. A deficit of Rs. 53,676 was adjusted in the accounts for 1926-27. A detailed examination of the balances and accounts has yet to be made."

4. The Manufacture Account appended to the Appropriation Account for 1926-27 (page 581) shows the following results:—

						Rs.
1. Opening balance	..	..	..	..	..	3,84,137
2. Value received during the year	..	..	..	..	..	2,11,195
3. Total	..	..	..	..	..	5,95,332
4. Value utilized, sold or otherwise disposed of during the year	..	..	..	..	..	3,45,934
5. Closing balance	..	..	..	..	..	2,49,398

The appended note runs follows :—

“ Verified by the Accounts Officer and the result reported to the New Capital Committee in the Stoneyard Report ”.

5. On closing the accounts for May 1927 the Superintending Engineer and the Departmental Accounts Officer submitted to the Finance Member of the New Capital Committee a preliminary note on this account.

The following important points were brought out in the joint note :—

- (a) The value of assets in hand at the end of May 1927 was only Rs. 83,000 against the book balance of Rs. 2,46,000.
- (b) The total loss on manufacturing dressed marble, including the loss previously adjusted, amounted to Rs. 2,15,000.
- (c) The loss was due to ‘wastage’ which was somewhere between 45 per cent. and 50 per cent. being higher than those taken into account in fixing the issue rates of dressed marble out-turned, viz. :—

	Per cent.
(i) Between 1st April 1923 and 1st January 1926 ..	10
(ii) Between 1st January 1926 and May 1927 ..	20

6. The Finance Member of the New Capital Committee, in his notes dated 31st July 1927 and 1st August 1927, requested the Chief Engineer to obtain the written explanations of the officers concerned on the following important points :—

- (a) The following conditions having been made regarding the size of marble blocks in the contracts with the suppliers of rough marble :—

“ (1) Size of blocks approximately 5’ to 8’ × 2’ to 3’ 6” × 1’ to 2’ 9”.

(2) Exact dimension will be given from time to time. ”

Why was there a failure to enforce these conditions and what was the effect of such failure on the wastage factor ?

- (b) When was the under-estimation of wastage first discovered and what causes led to the under-estimation ? Why did the Public Works Department in August 1925 calculate the percentage for wastage on dressing of marble to be 16·2/3 per cent. when it was already known that the wastage in stone was not less than 30 per cent. and why was the same figure of wastage (16·2/3 per cent.) adopted in January 1926 when it was known that the wastage in stone could not be less than 42 per cent ?

- (c) Why was stock of marble not taken in spite of the warning from the Superintending Engineer in May 1925 ?

- (d) Whether the loss could not have been avoided or reduced by entrusting the whole work to contract in 1926 when tenders were invited and offers received for finished work at rates lower than the actual cost to Government under the arrangement of obtaining only the supplies of rough stone from contractors and dressing them departmentally.

7. In the absence of any written explanations to the questions referred to above, the Finance Member submitted the case to the New Capital Committee in August 1927 for decision on the following points :—

- (i) Whether 50% wastage could be considered to be reasonable specially in view of the fact that the contractors who were working side by side had been able to deliver finished marble at a price which was considerably less than the cost of departmental working.
- (ii) Whether there had been an overpayment to the contractors by reason of relaxation of specification in their contracts which specified supply of comparatively big blocks of marble while a large number of comparatively small pieces were

actually delivered, and whether this relaxation did not aggravate the wastage.

(iii) Whether sawing charges were not overpaid in view of the following facts:—

Total quantity of white marble received during the years

1924-25 and 1925-26 65,000 C.ft.

Payments for sawings made on big saws 97,000 C.ft.

NOTE.—In addition to this certain sawing charges were paid in square feet (say about 20,000 S.ft.) and in running feet (say about 11,000 R.ft.) on the diamond saws.

Out-turn of dressed marble 22,500 C.ft.

Copies of the notes of the Finance Member, referred to in paragraphs 5 and 6 above are given in Annexure I to this Memorandum.

8. The New Capital Committee after examining the Stone Yard Officer, the Superintending Engineers, and the Accounts Officer in person and consulting their expert advisors, came to the conclusion that there was nothing to prove that a wastage of 50% was excessive or that any overpayment was made on account of sawing charges and that the relaxation of the conditions in contracts for supply of Stone did not lead to loss to Government or to increased wastage. They also made observations on the unsuitability of the form of contract for the supply of marble, the defective method of measuring sawing and maintaining records of measurements for the same, and the non-verification of stock periodically. No disciplinary action was ordered to be taken, presumably in view of the conclusion that the excessive wastage and overpayment in sawing charges could not be proved. The resolution of the Committee is reproduced as annexure II to this Memorandum.

9. The decision of the New Capital Committee seems to have been based on the evidence taken and the explanations obtained. A formal request was made by the Audit Officer for being given an opportunity of consulting the record, if any, of the statements made by officials examined and of the explanations obtained. In reply, the Secretary to the New Capital Committee informed the Audit Officer that no such record had been kept. Thus Audit has had not the opportunity of knowing the reasons leading to the conclusions of the New Capital Committee, and it is regretted that it is therefore unable to assist the Committee on Public Accounts by offering comments or suggestions. If the Committee desire to know the reasons, the facts, or the figures on which the conclusions in this important case were arrived at, it will be necessary for them to elicit these from the departmental witnesses appearing before them.

ANNEXURE I.

With reference to the investigation of the accounts of marble in the Stoneryard at Delhi, I write to request that the Chief Engineer will kindly obtain the written explanation of Mr. Cairns and other officers as specified below in regard to the following points, and forward the same (with 5 spare copies) to me by the 13th August 1927 without fail. The Hon'ble the President of the New Capital Committee has ordered that my note, together with the written explanations of the officers concerned, should reach him by the 15th August 1927, in order to enable him to deal finally with the subject in the special meeting to be held on the 16th August:—

(1) Will Mr. Cairns kindly explain why he gave in his written analysis, communicated with his No. 5991, dated 14th August 1925, a wastage of 16·2/3 % for marble when it was fully known at the time that the wastage in stone was not less than 30%; also why he adopted the same figure of wastage in his No. 582/221W., dated 21st January 1926, when it was also well known that the wastage in stone could not be less than 42%; secondly his apparent failure to take stock in spite of the warning from the Superintending Engineer, Mr. Croad communicated in his No. 1616, dated 9th May 1925?

(2) The wastage in white marble and black marble has been worked out to be 54% and 24% respectively as per the following calculations.—

<i>White marble.</i>				C. ft.
Rough blocks—Opening Balance 1st April 1923..	..	..	..	5,500
Receipts .. ..	..	..	..	75,000
		Total ..	..	80,500
Physical balance June 1927 .. ..	..	..	..	2,800
		Utilized ..	..	77,700
Dressed marble—Receipts .. ..	..	..	..	35,400

Wastage say 54%.

N.B.—The physical balance consists of marble blocks which have been operated on and does not contain any of the rough blocks as originally received in the yard.

<i>Black marble.</i>				C. ft.
Rough blocks—Opening Balance 1st April 1923 ..	..	..	..	1,850
Receipts .. ..	..	..	..	8,570
		Total ..	..	10,420
Physical balance June 1927 .. ..	..	..	..	1,800
		Utilized ..	..	8,620
Dressed marble—Receipts .. ..	..	..	..	6,600

Wastage 24%.

Will Mr. Cairns kindly explain the great disparity in the percentage of wastage in the two kinds of marble?

(3) The agreements with Bansal and Nanig Ram for the supply of white marble contain the following among other conditions:—

(1) Size of blocks approximately 5' 0" to 8' 0" × 2' 0" to 3' 6" to 2' 9".

(2) Exact dimensions will be given from time to time.

So far from these conditions being enforced strictly, Mr. Cairns appears to have departed from them practically from the commencement, as will be seen from his orders Nos. 2007 and 2008, dated 8th April 1924, which specify only that the blocks should be over 18" deep and do not refer to any other dimensions. The matter seems particularly important in regard to the length of blocks which should be approximately 5' to 8', whereas there have been numerous cases in which blocks much less than 5' in length have been accepted and paid for. Will Mr. Cairns kindly explain this apparent failure to enforce the specification and the effect, if any, which this procedure had on the wastage?

(4) Will Mr. Cairns kindly refer to the Accounts Officer's letter No. 75-S.V., dated 25th July 1927, to the Superintending Engineer, 2nd Circle, in which were set out details of the recording of stone numbers in the measurement books otherwise than serially, the repetition of the same numbers twice, the entry of stone without any numbers at all and the entry of the numbers of rejected stones? Will Mr. Cairns explain these irregularities and satisfy the authorities by a reference to the account of deliveries of marble from April 1924 to the end of May 1927, as per railway receipts, that there has been no over measurement or double payment for the same blocks of marble? In this connection I suggest that the correct conversion factor (so many maunds and seers per one cubic foot of marble of each kind) should be worked out by actual weighment in the presence of the Superintending Engineer and the Accounts Officer.

(5) Will Mr. Cairns kindly refer to paragraph 4 of the Account Officer's unofficial memorandum No. 76-S.V., dated 25th July 1927, regarding certain irregularities in regard

to sawing charges? A detailed statement giving particulars of these irregularities is reproduced below:—

APPENDIX M.

Instances of apparent irregularities in sawing payments:—

Marble. Reference paragraph 9(viii) of Central Accounts Officer's review.

I. Instances where sawing charges were paid twice for the same quantity—

Measurement Book Number.	Marble number.	Quantity C. ft.
Page 42 of 845	N 1018	16.8
Page 9 of 845	N 1018	16.8
Page 14 of 845	N 1005	33.9
Page 6 of 845	N 1005	33.9
Page 5 of 845	B 1110	25.0
Page 7 of 845	B 1110	22.1
Page 46 of 797	B 1009	12.6
Page 29 of 797	B 1009	12.6
Page 28 of 797	N 1170	6.8
Page 26 of 797	N 1170	5.4

II. Instances where there is a difference between the quantity obtained and the quantity issued for sawing—

	Page.	C. ft.
B 1124 Sawing Measurement Book No. 845	5	26.7
Measurement Book No. 2726	21	18.8
N 1022 Sawing Measurement Book No. 845	11	25.4
Measurement Book No. 2490	19	12.8
N 742 Sawing Measurement Book No. 845	26	6.5
Measurement Book No. 2495	69	5.3
K 92 Sawing Measurement Book No. 845	28	23.0
Measurement Book No. 2726	28	19.7
B 1172 Sawing Measurement Book No. 893	27	22.6
Measurement Book No. 2726	30	20
B 1050 Sawing Measurement Book No. 797	46	17.3
Measurement Book No. 2726	16	14
N 984 Sawing Measurement Book No. 797	14	10
Measurement Book No. 2927	4	9.3

			Page.	C. ft.
K	50	Sawing Measurement Book No. 797	20	10
		Measurement Book No. 2726	13	9.10
N	970	Sawing Measurement Book No. 797	32	20.3
		Measurement Book No. 2927	5	18
N	726	Sawing Measurement Book No. 797	16	5
		Measurement Book No. 2495	69	4.5
N	937	Sawing Measurement Book No. 797	38	38.3
		Measurement Book No. 2927	3	37.5
N	2439	Sawing Measurement Book No. 797	40	5.2
		Measurement Book No. 2495	9	4.2
N	1029	Sawing Measurement Book No. 845	38	45.6
		Measurement Book No. 2490	19	9.3

III. Instances where the sawing charges were paid at an earlier date than the payment of cost of stones—

Stone No. N: 1018 16.8 c. ft. received on 19th September 1926.

Sawing charges paid on 8th September 1926.

Stones Nos. N. 1022 25. 4 c. ft. and N. 1005 33.9 and N. 1012 7.10 received on 9th September 1926, 19th September 1926 and 19th September 1926. Sawing charges paid on 2nd September 1926, 9th September 1926 and 12th September 1926.

Will Mr. Cairns kindly explain the irregularities and also satisfy the authorities that the quantity of sawn marble delivered to the works is not less than the total quantity for which sawing charges have been paid?

(6) Will Mr. Cairns also kindly explain the discrepancy between the total quantity of sawn Stones (not marble) delivered to dressing contractors and the quantity for which sawn charges have been paid, which has been brought to the notice of the Superintending Engineer by the Accounts Officer?

(7) The explanations of the subordinates concerned in the irregularities mentioned in items (4), (5) and (6) above may also be kindly furnished by the same date.

31st July 1927.

T. K. RAJAGOPALAN.

A. M. Rouse, Esq., C. E.

An examination of the accounts of the departmental operations for the manufacture of dressed marble for the Central Buildings has disclosed an excess of Rs. 2,15,000 on the issue rates in force from time to time.

White Marble.—

	C. ft.	
Rough Blocks—Opening balance	5,500	2. The excess has occurred practically entirely under "wastage" under white marble.
Receipts ..	75,000	
Total ..	80,500	The wastage works out to 54% as shown in the margin and the <i>pro-forma</i> distribution of the loss over the issue of dressed marble gives the following results:
Physical balance June 1927 ..	2,800	
Utilised ..	77,700	
Dressed marble—Receipts ..	35,400	
Wastage, say 54%		
N. B.—The physical balance consists of marble blocks which have been operated on and does not contain any of the rough blocks as originally received in the yard.		

	Departmental rates prior to 1st January 1926.				Departmental rates subsequent to 1st January 1926.				
	Old.	Revised to include the excess.	Fixing.	Total revised.	Old.	Revised to include the excess.	Fixing.	Total Revised.	Contractor's through rates.
Class—									
A C.ft.	12/8	18/12	2/0	20/12	14/8	20/0	2/0	22/0	16/8
B C.ft.	15/8	21/12	2/0	23/12	17/0	22/8	2/0	24/8	20/4
C C.ft.	21/0	27/4	2/0	29/4	22/8	28/0	2/0	30/0	24/8
D C.ft.	2/4	3/4	1/0	4/4	3/0	3/14	1/0	4/14	3/12
E C.ft.	1/12	2/4	0/4 to 0/8	2/8 to 2/12	2/0	2/8	0/4 to 0/8	2/12 to 3/0	2/12

3. The departmental rates allowed a wastage of 10% up to the 31st December 1925 and of 16·2/3% thereafter. The latter rates were calculated and fixed after tenders had been received for a supply from contractors of marble at the following rates:—

Class				Contractor's rate including dressing.	Machining charges.	Total.
				Rs. A. P.	Rs. A. P.	Rs. A. P.
A	—	—	—	13 8 0	1 0 0	14 8 0
B	—	—	—	18 0 0	1 0 0	19 0 0
C	—	—	—	23 0 0	1 0 0	24 0 0
D	—	—	—	21 8 0	0 4 0	21 12 0
E	—	—	—	1 12 0	0 4 0	2 0 0

4. Influenced by the fact that the revised departmental rates (with a wastage of 16·2/3%) were somewhat lower than the tendered rates, it was proposed to entrust only a portion of the work to contract and to continue the departmental operations for the balance.

The fact that the wastage had been probably under-estimated was commented on by the Central Accounts Officer and he asked that the rates might be re-examined by reference to actuals and past experience before deciding to continue the departmental operations.

5. This request was made by the Central Accounts Officer in September 1925 and again in December 1925. The case was subsequently placed before the New Capital Committee in the Chief Engineer's Memo. No. 31 W. II, dated 29th March 1926, and it was therein stated that the issue rates had been revised from 1st January 1926 "in accordance with what an inspection of the manufacture account seemed to indicate as the probable cost." It was further stated that the tender of Dharam Singh, contractor, received in response to a public call for tenders, was so close to the revised departmental rates that it offered scope for further investigation. The tender in question was for all the marble work

remaining to be done, but as the rates were higher than the departmental issue rates the Chief Engineer proposed to entrust only a portion of the work to the contractor. The latter asked for an increase owing to the decision that he was to get only a part of the work. The result was the increase by negotiation of the contractors' rates from annas 8 to Re. 1 a C. ft. and annas 8 a sc. ft.

6. The Committee accepted the proposal of the Chief Engineer in their Resolution No. 1039, dated the 7th April 1926, and requested that the Chief Engineer should take the earliest opportunity to place before the Finance Member, N. C. C., detailed calculations showing the total excess over the provision of marble work in Government House.

No report to the Finance Member, N. C. C., was ever made and it now transpires that there will be an appreciable excess over the provision for Government House.

7. This excess is due entirely to an underestimation of wastage in the calculation made so recently as January 1926 and the following questions seem to arise :—

- (1) What action, if any, was taken to appreciate the assets and ascertain the wastage in calculating the revised issue rates ?
- (2) What causes led to the underestimation of wastage ?
- (3) When was the underestimation first discovered ?
- (4) Whether the wastage of 54% is accepted as reasonable by the senior technical officers concerned ?
- (5) Whether the excess could not in whole or part have been avoided by entrusting the whole work to contract in 1926 ?

8. The marble case has to be dealt with finally by the New Capital Committee at their meeting on the 16th August 1927, and I shall be obliged if the Chief Engineer will kindly obtain as early as possible the explanation of the officer or officers concerned on the questions raised in paragraph 7 above.

9. I would also like to know whether in view of the fact that it has recently been decided to entrust a considerable quantity of more work to Dharam Singh contractor, it is not possible to negotiate with him for a restoration of his originally tendered rates or, at any rate, of a reduction of the rates he is at present working on.

The 1st August 1927.

T. K. RAJAGOPALAN.

Chief Engineer, Delhi.

ANNEXURE II.

Copy of New Capital Committee's Resolution No. 1468 of August 1927.

1468. *Considered.*—The memorandum prepared by the Finance Member of the Committee on the enquiry which he held into the marble account.

Resolved.—The Committee, after examining at length Messrs. Sale, Croad, Grindal, and Cairns, in person, and consulting their expert advisers, where necessary, have come to the following conclusions :—

- (i) That in view of the procedure adopted in regard to the receipt of rough marble, there is nothing to prove that a wastage of 50% is excessive. On the contrary, from the evidence produced there is every reason to think that 50% is not excessive.
- (ii) That the form of agreement entered into with the contractors for the supply of marble was unsuitable, but there is evidence to show that the relaxation of the conditions attached to it did not lead to loss to Government or to increased wastage.
- (iii) That there is nothing to prove that any overpayments were made on account of sawing charges. The explanations given by those in charge of the work regarding the figures in the Finance Member's note were considered satis-

factory. At the same time, the Committee consider that the method of measuring, sawing, and maintaining measurement books for the same, was not altogether satisfactory. They consider that sawing measurements of each block of marble should have been shown separately in the measurement books and that all measurements should have been maintained in proper form by an authorised officer.

- (iv) That proper arrangements should have been made for periodical verification of stock, and that, had this been done, it would have been possible to estimate more accurately the eventual percentage of the wastage on the operations.
- (v) That the assurance given by the Chief Engineer that everything possible was done to give work out on contract for finished work, once it was realised that this system was cheaper than departmental work, be accepted.
- (vi) That the Chief Engineer would have been well-advised to have adhered strictly to the terms of the New Capital Committee Resolution No. 1039, dated 7th April 1926, instead of being content with satisfying himself that there was no reason to apprehend any excess over the provision for marble work in the Government House estimate. They, however, accept the explanation given by him that at the time he was very hard-pressed with other work.

APPENDIX X.

Memorandum furnished by the Auditor General with reference to paragraph 61 of his letter No. 213 Rep.-55-Admn.-28, dated the 5th July 1928.

It was stated in paragraph 112 of the Report by the Accountant General, Central Revenues, on the Appropriation Accounts for 1926-27 that as the report of the Government of India on the working of the Provincial Loans Fund during 1926-27 had not been published, audit comments on it could not be offered.

2. The Government Report has since issued. It was audited by the Accountant General, Central Revenues, and subject to the remarks in paragraphs 3, 4 and 6 below, found generally to satisfy the rules governing the administration of the provincial Loans Funds.

3. It is not known whether the reduction (from $6\frac{1}{2}$ per cent. to $4\frac{3}{4}$ per cent.) in the rate of interest which, as stated in paragraph 11 of the Government Report, has been made with effect from the 1st April 1927, in respect of certain loans sanctioned by the Government of India to the Provincial Governments in 1921-22, is consistent with the terms on which the loans were originally granted. An enquiry has been made on the subject and a reply thereto is awaited.

4. A reference is invited to clause (b) of paragraph 22 of the Report by the Accountant General, Central Revenues, on the Appropriation Accounts for 1925-26 which summarises the principle regarding the levy of interest on moneys advanced from the Fund to Provincial Governments. It will be observed therefrom that the rate of interest payable on advances for capital expenditure which are classed as productive is lower than that charged on other kinds of loans. It is therefore, necessary to see that the amounts advanced for productive works are actually spent on works of that class only. This question, as stated in the concluding portion of paragraph 10 of the Government Report, is under the consideration of the Government of India.

5. In paragraph 111 of the Report by the Accountant General, Central Revenues, on the Appropriation Accounts for 1926-27 it was pointed out that the Government Report on the working of the Fund during 1925-26 did not show whether the requirements of paragraph 9 of the Rules governing the administration of the Fund had been fulfilled; i.e., whether the Provincial Governments which had borrowed from sources other than the Fund (in practice, at least up to the present, this means the loans raised in open market) had provided during the year out of their ordinary revenues sums sufficient for the redemption of those debts within the prescribed period of time. It will be observed from paragraph 8 of the Government Report for 1926-27 that the requirements of this rule were duly fulfilled in 1926-27.

6. Rule 12 of the rules governing the administration of the Fund reads as follows:—

“All new advances made from the Fund and also all advances outstanding at present other than the debt relating to irrigation works constructed before the Reforms, the liability for which was transferred to Provincial Governments under the Reforms Scheme, will be subject to eventual repayment. It will be for the Government of India in the Finance Department to determine whether in any particular case repayment shall be by equated instalments of principal and interest or otherwise, and whether due instalments may be postponed or other exceptional arrangements made without threatening the solvency of the Fund.”

It will be observed that the Government of India in the Finance Department have to prescribe the conditions for the repayment of all new advances from the Fund and also for all advances, except the pre-reform Irrigation Debt, outstanding at the time of its constitution, the liability for which was transferred to the Fund. In the Government Report it is not stated whether necessary conditions for the repayment had been laid down and whether those conditions were fulfilled. In this connection a reference is invited to the concluding portion of paragraph 8 of the Government Report.

7. As, however, it is difficult for Government to summarise in their Report as published at present the conditions for the repayment of each and every loan and the extent to which those conditions are being fulfilled, the Provincial Accountants General have been instructed to furnish in connection with the transactions of the Fund from the year 1927-28 onwards certificate stating that the Government of India in the Finance Department have prescribed conditions for repayment and specifying the extent to which those conditions are being fulfilled. The Provincial Accountants General have also been directed to furnish certificates showing that the conditions laid down in paragraph 9 of the Rules governing the administration of the Fund, have been fulfilled. The fact that these certificates have been duly furnished by the Provincial Accountants General concerned will be mentioned in the future audit reports of the Accountant General, Central Revenues, on the working of the Fund.

APPENDIX XI.

Memorandum furnished by the Auditor General on the procedure observed in England in regard to New Services.

1. The recognised practice in England is that the cost of a Service not expressly provided for by Parliament cannot be charged against a Vote, and therefore cannot be met by virement, unless that service is comprised within the ambit of the Vote. Epitome p. 640 (10)

2. There is no definition of the term "new service", and apparently it is left to the Comptroller and Auditor General to take up cases, unless the departments themselves have previously brought them to the notice of the Treasury. Apart from cases in which treasury control is determined by statute, royal warrant, or order in council, it is otherwise almost invariably exercised at the expressed wish of the House of Commons, as voiced by the Public Accounts Committee at different times, the majority of instances having arisen in the distant past. Durell (p. 335).

3. On the recommendation of the Public Accounts Committee, the following rules of procedure were prescribed by the Treasury in 1889 :—

- (1) As soon as the spending Department is satisfied that the new expenditure cannot, without detriment to the Public interests, be postponed until Parliament has provided for it in the usual manner, that Department should submit the same in writing to the Treasury with a full description of the circumstances which render it necessary. The Treasury will then decide whether, apart from any question of adequacy of savings, the nature of the service is such as to require, for constitutional or other reasons, that Parliament should be consulted before the expense is incurred. Supposing the Treasury to decide that the expense may be incurred without the previous submission of an Estimate to the House, the method of procedure will depend in part on the period of the year. Epitome p. 227.
- (2) If the vote to which the expenditure is chargeable has not yet been taken, the Minister who will have charge of it when taken in Committee of Supply should at once lay upon the Table of the House a statement of the additional expenditure sanctioned by the Treasury, explaining that it is proposed to defray it out of savings on other Army or Navy Votes if possible, in which case a Minute will be presented to the House before the end of the financial year, specifying the exact savings that are to be employed for the purpose, but that, should this mode of defrayment prove impossible, a Supplementary Estimate will be presented for it.
- (3) If the Vote to which the expenditure is chargeable has been already taken, no opportunity is likely to occur of informing the House of it until the time arrives for presenting either a Supplementary Estimate or a Minute in accordance with the Resolution of 4th March 1879 ; and meanwhile the expenditure may be incurred if the Treasury approves.

Epitome
p. 278.

4. These instructions were re-affirmed in 1891 on a case in which the Admiralty had entered into a contract for raising H. M. S. Sultan for £50,000, without obtaining the sanction of the Treasury.

Durell p. 334.

5. The procedure as summed up by Durell is as follows :—

Any work of an urgent nature, not provided for in the estimates, of which the estimated cost is over £2,000, requires Treasury-sanction; but, generally speaking *no new work of any magnitude can be commenced without the previous sanction of Parliament*. If provision has been made in the estimates, however, the Treasury may, in anticipation of these being passed, sanction the commencement of the work without waiting for the vote for the year which will carry with it parliamentary sanction.

Durell p. 293.

6. Regarding re-allocation of money for a new Service, Durell says : “ Any such re-allocation of money for a new Service of magnitude, even though only a small sum may be required in the current year, should certainly be notified to Parliament as early as possible by the presentation of an explanatory statement, if no substantive grant is required. This proviso moreover, relates to the scheme in its entirety, and not merely to the estimated cost within the year, which possibly may be trifling, but the expenditure of which may be committing Parliament to heavy liabilities. Every effort should be made to lay before Parliament, at the time of inception, the full estimated charge involved in new proposals. If a supplementary estimate is not necessary owing to a substantive grant not being required, or if it be too late in the year to present one, Parliament may be informed of the proposal by presenting to it an explanatory statement on the same principle as is applied in the case of ship-building programmes whenever any considerable changes are made in the course of the year. ”

Epitome
p. 6 (3).

7. When expenditure cannot be met from savings and a supplementary grant cannot be obtained, the sum required is advanced from the civil contingencies and a Vote is submitted to Parliament from which the advance is required.

8. It will thus be seen that the practice in England supports the explanation of the term “ New Service not contemplated in the Budget ” which is set out in my memorandum. The application of that explanation to concrete cases can best be governed by the evolution of a body of case law. As most of these cases will fall under the category of “ New Instruments of Service ”, it will be desirable to fix a money value, above which the new work should be regarded as a new service. And this limit will probably have to vary from department to department, as the limit fixed for Civil works may perhaps be too low for, say, the Railway Department, where even comparatively small works may be of very high money value.

APPENDIX XII.

Memorandum on the Railway Clearing Accounts Office in India.

History.

1. The question of the establishment of a Clearing House for Railways in India, which had been under discussion at intervals for many years, was revived by the Railway Board in March 1925. On the representation, however, of the then Accountant General, Railways, that the end in view was dependent upon a simplification of rates and that until simplification had been effected the scheme was not practicable the matter was allowed to drop for the time being.

2. Meanwhile, Mr. Scott, the then Chief Auditor of the North-Western Railway, who since his visit to America with the Philipe Committee in 1921-22 had made a close study of the Hollerith and Powers Electric Tabulating machines saw, among their other possibilities, the way to overcome the stumbling block of variation in rates, and with the object of demonstrating this, he carried out an experiment on the North-Western Railway of grouped divisions of traffic on the basis of ton mileage carried on each railway under particular commodities or particular rates.

The results of this experiment, which were very encouraging, were placed before the Financial Commissioner, Railways, in July 1925. The Railway Board then decided that a thorough investigation would be justified and for this purpose Mr. Scott was placed on special duty early in December 1925.

In the early stages of this investigation conducted first on the lines of grouped divisions by commodities or by rates, Mr. Scott discovered that by the application of Summary multiplication on the Hollerith or Powers Tabulating Machines, all rates could be expressed within the compass of 9 digital rates, a much simpler and more economical method of apportioning the traffic.

3. This method consists of employing "Cards" working first on them by means of punching machines and subsequently working out the apportionment of the earnings among Railways on the Hollerith or Powers Machine. Briefly, the detailed procedure is as follows :—

A separate card is prepared for each invoice and is "punched" to show *inter alia* the total weight, the rate mileage due to each Railway, and the total freight of the invoice. By sorting these cards on a basis which expresses the factors of weight and rate mileage due to each Railway in convenient units for purpose of multiplication, the Hollerith or Powers Machines tabulate the freight due to each railway for the total traffic originating from each station or group of stations treated as one station. This process of multiplication by the machine is rendered possible by expressing the multiplier as one of the single digits 1 to 9. Thus if the weight is 625 and the rate mileage due to a Railway is 47, the factors on which the machine will work are :—

Multiplier. Multiplicand.

5 × 47

2 × 470

6 × 4,700

That is to say, three sortings on the machine will be necessary to bring out the product. All cards of the same single digit and relating to one station, or group of stations treated as one, are passed through the machine at one operation and the machine records the total number which is to be multiplied by each single digit. Thus, if in regard to the single digit 5, there are 6 cards of the following multiplicands—215, 400, 20, 18, 700, 326—the machine will record $5 \times 1,679$; the product of which 8,395 represents the freight in pies due to the railway concerned on these invoices. Thousands of cards of the same single digits are often dealt with in one operation.

It will be seen that this method for the apportionment of freight charges on the machines is not affected by the existing complexity in rates on Indian Railways. The new method has been designated "The Summary Multiplication method" by the Hollerith Company.

4. The prescribed detailed procedure for the conduct of work under the revised method provides for information which secures reconciliation of the traffic apportioned in the Division Sheets prepared by the Clearing House with the entries in the accounts statement rendered by stations. This enables the Railway receiving Division Sheets to satisfy itself, should it wish to do so, that the entire traffic relating to the period to which the Division Sheets relate has been included in the Division.

5. A demonstration of the working of the machines was witnessed by Members of the Standing Finance Committee for Railways in June 1926 who expressed themselves satisfied with the working of the machines.

6. Mr. Scott submitted to the Railway Board the report on his investigation in August 1926. The sanction of the Secretary of State to the establishment of a Clearing House was received in December 1926, and the new office and the Statutory Audit Office attached thereto, were opened on the 18th December 1926.

Location.

7. The investigation having been conducted on the North-Western Railway and the work of that railway being the first affected, it was decided temporarily to locate the office at Lahore pending a decision as to the final head-quarters. After careful consideration Delhi was chosen, and the office was removed from Lahore in September 1927.

Scope—Foreign Traffic.

8. It is intended that the Clearing House will undertake the internal check of the returns from stations of railways parties to the Clearing House in respect of all through traffic of such railways. It will, in addition, undertake the apportionment of all traffic interchanged between such railways. It will also be responsible for the apportionment of all traffic interchanged with the railways not parties to the Clearing House which, under the old procedure, Railways parties to the Clearing House were responsible to clear.

9. As a matter of convenience the Clearing House will also be entrusted with all work relating to the check and apportionment of traffic on railways parties to the Clearing House which is paid for by Government Departments and the recovery of all dues from such departments.

10. The Clearing House will undertake the preparation of stat. relating to through traffic transactions of railways, parties to the Clearing House.

Scope—Local Traffic.

11. It is intended that the Clearing House will undertake under its revised machine methods, the internal check of the returns from stations of State-managed railways and the compilation of the accounts of these railways.

It is also intended to entrust to the Clearing House the compilation of the revenue statistics of State-managed Railways.

Programme to take over Foreign Traffic Work.

12. The foreign traffic work of the following Railways was taken over by the Clearing House on the dates specified :—

		<i>Date taken over.</i>
1. The N. W. Railway	.. ..	1st January 1927.
2. The E. I. Railway	.. ..	1st April 1927.
3. The E. B. Railway	.. ..	1st January 1928.
4. The G. I. P. Railway	.. ..	1st July 1928.

13. The delay in taking over the work of the E. B. Railway was due in the first place to the move from Lahore to Delhi in September 1927 and secondly to an experiment conducted in July, August, September, October, November and December 1927 with a view to convincing the B. B. and C. I. Railway a Company-managed line, of the value of the new methods.

It has been arranged to take over the Foreign Traffic work of the following Railway on the date specified :—

Date.

B. B. & C. I. Railway 1st September 1928.

Note.—The Bengal Nagpur Railway have now under consideration the question of becoming a party to the Clearing House.

14. As a result of a demonstration given by the Director of the Clearing House to the Chief Auditors of the M. & S. M., S. I., N. G. S., Mysore, and Barsi Light Railways in February 1928, strong recommendations from the local authorities of these Railways have been submitted to their Home Boards to establish a Branch Clearing House in Madras. The acceptance of the Home Boards of the M. & S. M. and Barsi Light Railways has already been received, and it is hoped to establish such a branch early in 1929.

Programme to take over Local Traffic Work.

15. The Local Traffic work including statistics of the E. I. Railway will be taken over by the Clearing House from the accounts of October 1928.

11- No dates for absorbing the Local Traffic work of other State-managed railways has yet been drawn up owing to the present lack of office accommodation in Delhi.

16. The Railway Board are completing arrangements for the building of office accommodation in Delhi adequate for the requirements of the Clearing House, the Indian Railway Conference Association, the Publicity Office of the Railway Board, and the Divisional Superintendent (Delhi Division) of the North Western Railway.

17. The Railway Board also have under consideration the question of arranging for residential accommodation for the staff of the Clearing House.

(Sd.) L. S. DEANE,

Director, Railway Clearing Accounts Office.

13th July 1928.

APPENDIX XIII.

Proceedings of the First Meeting of the Committee appointed to examine the Appropriation Accounts of the Army, Marine and Military Engineer Services, for 1926-27, and the Report of the Director of Army Audit thereon, held on the 6th August 1928 at 11 a.m.

PRESENT :

- | | |
|--|-------------------------|
| (1) The Hon'ble Sir BHUPENDRA NATH MITRA, K.C.S.I.,
K.C.I.E., C.B.E. | Chairman. |
| (2) The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S.,
Finance Secretary. | } Members. |
| (3) Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Army Secretary. | |
| (4) Sir FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor General. | } Were also
present. |
| (5) Mr. A. MACLEOD, I.C.S., Financial Adviser, Military
Finance. | |
| (6) Colonel G. W. ROSS, D.S.O., Military Accountant
General. | |
| (7) Mr. A. G. BARR, O.B.E., Director of Army Audit. | |

The Committee first took up the statement (Annexure A) compiled by the Financial Adviser, Military Finance, showing the action taken or proposed to be taken on the points noticed by the Departmental Committees in previous years. It was agreed that it is extremely convenient to have the information supplied in this form, and it was decided that the statement should be incorporated in the Committee's proceedings, and so be included automatically in the report of the Public Accounts Committee. The Committee also expressed the opinion that in future years similar statements should be prepared but should be incorporated in the Appropriation Accounts of the Financial Adviser, who should also place before the *ad hoc* Committee, in due course, a statement giving any supplementary information which becomes available in the interval between the preparation of the Appropriation Accounts and the meeting of the Committee. As regards the statement under discussion, the Committee observed that items 13, 15, 27 and 36 should be carried forward to the statement which will be submitted next year.

2. At this stage the Financial Adviser placed before the Committee a statement (Annexure B) comparing the net actuals under the military heads with the original net appropriation and the modified net appropriation. In view of the decision of the Governor-General in Council that the grant for military services shall for the present continue to be dealt with as a net grant

(*vide* paragraph 18 of the Finance Department Resolution No. D.-3546-A., dated the 5th January 1928), the Committee expressed the opinion that a similar statement should form part of the Appropriation Accounts in future years so long as the net grant system is maintained.

3. The Committee then proceeded to consider the observations of the Auditor General and of the Director of Army Audit on the action taken with reference to the proceedings of the *ad hoc* Committee of last year.

4. *Paragraph 11 of the Proceedings of the Committee of last year.*—The Committee desired the Financial Adviser to report to it next year whether, under the system of concentration of Military Accounts offices, the requirements of the commanders of lesser formations in the matter of financial advice and assistance are sufficiently met. The Committee would like to have the views, based upon actual experience, both of the military and of the financial authorities on this point.

5. *Paragraph 13 *ibid.**—The Committee was informed that the position as regards the report of the Innes Committee is still as explained at item No. 36 of the statement (Annexure A).

6. *Paragraph 14 *ibid.**—The Director of Army Audit reported that all the outstandings referred to in this paragraph have since been cleared.

7. *Paragraph 15 *ibid.**—The Financial Adviser presented a statement (Annexure C) in which the information given in Annexure A to the Proceedings of the Committee of last year is brought up to date with reference to the progress of events in the interval. The Financial Adviser was requested to note in next year's Appropriation Report any points of financial interest relating to any of the measures enumerated in this statement.

8. *Paragraph 16 *ibid.**—The Committee noted with satisfaction the economies effected as a result of the change in the system of obtaining army requirements of ghee.

9. *Paragraph 19 *ibid.**—The Committee was informed that the Secretary of State has been asked to sanction the continuance of the Land Sale Suspense Fund. It was of opinion that until the Fund was abolished, a *pro forma* account of the transactions of the Fund should be given in the Appropriation Accounts as suggested by the Auditor General. The account should be accompanied by foot-notes showing the purposes for which the fund was created and giving such information as is necessary to make it clear that the purposes are being carried out.

10. *Paragraph 21 *ibid.**—The answer to the question of the Director of Army Audit contained in this paragraph is that the Financial Adviser as a Joint Secretary to the Government of India has been given full authority, so far as audit is concerned, and has been constituted the sole mouthpiece of the Finance Department, in matters of military finance. In such matters audit need not look for any other embodiment of the authority of the Finance Department.

The Committee considered that in order to mark the position of the Financial Adviser, Military Finance orders of the Finance Department which are of general application and should therefore extend—with or without modification—to the military administration should be communicated to the Army

Department, the Military Accountant General and the Director of Army Audit by the Financial Adviser.

11. *Paragraph 32 ibid.*—The Committee decided to invite the Master General of Supply to make a statement explaining the functions of the Central Disposals Organisation, the manner in which it performs them, and the results which have been and are being achieved (*vide* paragraph 56 of these proceedings).

12. *Paragraph 35 ibid.*—The Committee requested the Financial Adviser to place before it, as soon as possible, a summary of the recommendations made by the Special Committee of Enquiry in the complicated case referred to in this paragraph and of the action taken thereon (*vide* paragraph 61 of these proceedings).

13. *Paragraph 54 ibid and paragraph 13 of the Auditor General's letter.*—The Committee understood that the Government of India at the present moment have under their consideration a statement of certain general principles and procedure which, it is suggested, should regulate in future the enforcement of responsibility for losses caused to Government by the fraud or negligence of individual public servants. The statement, which was seen by the Committee, covers a number of observations which have been made by the Director of Army Audit and the Auditor General in regard to cases of irregularity brought to light in the former's Audit report. The Committee desired to observe that the same general principles which may be adopted for Civil departments should be applied, with any necessary modifications, to the Military administration also.

14. At this stage the Committee adjourned till 10-30 A.M. on Tuesday, the 7th August 1928.

Proceedings of the Second Meeting of the *Ad Hoc* Committee held on the 7th August 1928 at 10-30 a.m.

PRESENT :

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| (1) The Hon'ble Sir BHUPENDRA NATH MITRA, K.C.S.I.,
K.C.I.E., C.B.E. | } <i>Chairman.</i> |
| (2) The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S.,
Finance Secretary. | |
| (3) Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Army Secretary. | |
| (4) Sir FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor General. | } <i>Members.</i> |
| (5) Mr. A. MACLEOD, I.C.S., Financial Adviser, Military
Finance. | |
| (6) Colonel G. W. ROSS, D.S.O., Military Accountant
General. | |
| (7) Mr. A. G. BARR, O.B.E., Director of Army Audit. | |
| | } <i>Were also
present.</i> |

15. The Committee proceeded to consider the Report of the Director of Army Audit in conjunction with relevant portions of the Appropriation Accounts and of the Auditor General's letter.

16. *Paragraph 5 of the Director's Report.*—The Committee hoped that greater care would be taken in future in estimating savings under one head before they are appropriated for expenditure under another. Having regard to the explanation in paragraph 149 (1) of the Appropriation Accounts, it found that the excess over the modified appropriation in this case was really due to larger book debits, by readjustment from suspense, on account of writes-off of losses arising out of the disposal of surplus stores, etc. It considered it very important to keep a vigilant watch over liabilities of this kind, and to see that the requisite appropriation is fully made at the proper time.

17. The Committee agreed with the Auditor General that no item involving a reappropriation of under Rs. 10,000 need be included in the list of re-appropriations covering the cost of new measures. It considered that re-appropriations from anticipated savings are permissible in principle, but that care should be taken by the Financial Adviser to see that there is a reasonable prospect of the savings materialising; also that, whenever such re-appropriations are made, a specific reduction should be made under the head under which savings are anticipated, if necessary, by requiring the abandonment of some specific measure of expenditure. Finally steps should continue to be taken to see that the actual expenditure does not exceed the reduced appropriation.

18. *Paragraph 7 of the Director's Report.*—The Committee hoped that, as time goes on, the Financial Adviser will find it possible to make a more adequate estimate of probable savings.

19. *Paragraph 8 of the Director's Report.*—The Committee examined the matter and found that the overpayments were brought to the notice of the Military Accountant-General in February 1924, that the payments were restricted to normal rates in September 1924 and that there was no undue delay in issuing the correct interpretation of the rules in question.

20. *Paragraph 9 of the Director's Report.*—The Committee was informed that the defective system referred to by the Director had since been amended.

21. *Paragraphs 12 and 15 of the Director's Report.*—The Committee observed that the point raised by the Auditor General in regard to the importance of the accuracy of certificates had already been dealt with by the last Public Accounts Committee, and later in paragraph 22 of the Resolution of the Government of India in the Finance Department, No. D./3546-A., dated the 5th January 1928. At the same time it wished to record the opinion that the incorrect issue of proficiency pay in the cases under reference could probably have been avoided by suitable action on the part of the Military Accounts Department and that some automatic arrangements should be introduced in the military accounts offices, which will help to diminish the possibility of expenditure being incurred under orders which have a limited currency after the currency of those orders has expired.

22. *Paragraph 13 of the Director's Report.*—The Committee was informed that the procedure already in force provides that any settlement arrived at after verbal discussion should be reduced to writing and formally accepted by the parties concerned, and that the case to which objection had been taken was a departure from the established procedure.

23. *Paragraph 17 of the Director's Report.*—The Financial Adviser told the Committee that the civil suit in respect of Rs. 9,000 advanced to one of the contractors had since been withdrawn. It desired to examine the Adjutant General on the point and also to know whether the withdrawal had the requisite authority (*vide* paragraph 59 of these proceedings).

24. *Paragraph 22 of the Director's Report.*—The Committee observed that the question of the desirability of ascertaining the financial position of contractors had been dealt with by the Public Accounts Committee last year, and was informed that the issue of general orders covering the particular point is now under the consideration of the Government of India. As, however, the final decision may be delayed, the Committee considered that the attention of the military authorities should be invited meanwhile to the desirability of adopting the practice suggested by the Director.

25. At this stage the Committee adjourned till 10-30 A.M. on Thursday, the 9th August 1928.

Proceedings of the Third Meeting of the *Ad Hoc* Committee held on the 9th August 1928 at 10-30 a.m.

PRESENT :

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| (1) The Hon'ble Sir BHUPENDRA NATH MISHRA, K.C.S.I.,
K.C.I.E., C.B.E. | Chairman. |
| (2) The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S.,
Finance Secretary. | } Members. |
| (3) Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Army Secretary | |
| (4) Sir FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor-General. | |
| (5) Mr. A. MACLEOD, I.C.S., Financial Adviser, Military
Finance. | } Were also
present. |
| (6) Colonel G. W. ROSS, D.S.O., Military Accountant
General. | |
| (7) Mr. A. G. BARR, O.B.E., Director of Army Audit. | |

26. *Paragraph 23 of the Director's Report.*—The Committee was informed that the large discrepancies between the modified appropriation and the actuals in the cases referred to arose out of the difficulty under the old accounting arrangements of properly watching certain liabilities which are required to be adjusted in the Revenue Accounts before the close of the year. It understood that, with effect from 1927-28, such difficulty would be minimised as a result of changes in the accounting system. The Committee desired, however, to impress upon the Financial Adviser the importance of making adequate arrangements for keeping a watch on liabilities which have to be adjusted in the Revenue Accounts during any particular year.

27. *Paragraph 25 of the Director's Report.*—The Committee understood that instructions had since been issued defining the responsibilities of the different officers of the College in regard to financial arrangements, and the Auditor

General expressed himself as satisfied with the instructions. As regards the failure of audit referred to by the Auditor General, the Military Accountant-General admitted that there was a lack of co-ordination in the accounting office, but he had since issued suitable instructions with a view to securing such co-ordination.

28. *Paragraph 30 of the Director's Report.*—The Committee was informed that the Financial Adviser was considering, in consultation with the Military authorities, the question of revising the rates in the priced vocabulary of medical stores with the object of ensuring that the cost of services rendered was fully recouped to Government, but not with the idea of making the prices conform to market rates, which was not intended.

29. *Paragraph 31 of the Director's Report.*—The Committee examined the question of losses on balances of stores from Officers' shops in the light of the explanation given by the Q. M. G. and came to the conclusion that, in the field service conditions under which the shops in question were started in Waziristan, the loss was inevitable. The situation might have been dealt with by gradually reducing the issue price of articles purchased at the beginning of the operations at high prices, but this would merely have resulted in the distribution of losses in another shape and over a series of years. The Auditor General had no comments to make in the circumstances.

30. *Paragraph 23 of the Director's Report.*—The Committee understood that no refund could be obtained from the suppliers who had, under the arrangements in force, no liability for the stores found unserviceable, and further that such stores formed a very small percentage of those imported on the occasion. It was satisfied that the existing procedure in regard to the inspection of stores was in general sufficient and did not desire that any further action should be taken in the matter.

31. *Paragraph 35 of the Director's Report.*—The Committee was informed that the Government of India had issued orders in the Army Canteen Board case accepting the recommendations made in the report of the Currie Committee, which had been presented to the Legislature. The position was that, besides implementing the guarantee given to the Imperial Bank of India, Government had to pay outstanding bills of creditors. The net loss to Government on the transaction was about 37 lakhs after allowing for the receipts on account of the realisation of the assets of the Board.

32. *Paragraph 36 of the Director's Report.*—The Committee found that neither the Army Department nor the Financial Adviser gave sufficient importance to the particular aspect of the case referred to by the Director, viz., that of the responsibility of the Supply Officer for the loss on fodder. It wished to examine the Quartermaster General on the question of responsibility for the loss and the adequacy of disciplinary action taken (*vide* paragraph 57 of these proceedings).

33. *Paragraph 37 of the Director's Report.*—The Financial Adviser explained that the discrepancies referred to by the Auditor General were due to adjustments within the head for which provision was not made and could not have been made in the estimates and that under the altered system of accounting variations of the kind would not recur.

34. *Paragraph 42 of the Director's Report.*—With reference to the remarks made in paragraphs 22, 27 and 29 of the Auditor General's letter, the Committee, after hearing the explanation of the Financial Adviser, came to the conclusion that budget provision was now being made as far as possible under the head to which the expenditure related. It recognised that this is not feasible in certain special cases, and, so long as the principle was understood, it did not desire to pursue the matter.

35. *Paragraph 43 of the Director's Report.*—The Committee expressed the opinion that it is very desirable that any modifications in the Civil Service Regulations should be notified to all concerned by the issue of correction slips with as little delay as possible. It understood that a reprint of the Regulations, corrected up-to-date, is now in hand.

36. *Paragraph 44 of the Director's Report.*—The Financial Adviser admitted that the original estimate in this case was wrong. The Committee desired that steps should be taken with a view to ensuring in future that the estimates are more in accord with actuals.

37. *Paragraph 25 of the Auditor General's letter.*—With reference to the alleged over-estimating under conservancy charges, referred to in paragraph 89 of the Appropriation Accounts, the Committee wished to examine the Quartermaster General as to the facts of the case (*vide* paragraph 58 of these proceedings). In regard to the under-estimating of payments for stationery and printing, referred to in paragraph 90 of these accounts, the Committee desired that the arrangements for the framing of the estimates and the controlling of expenditure in this connection should be carefully reviewed.

38. *Paragraph 55 of the Director's Report.*—The Committee observed that the payment to certain honorary King's Commissioned Officers of pension at double the mustering-out rates, instead of at double the ordinary rates, arose out of an honest mis-interpretation of orders by certain officers of the Military Accounts Department. It hoped that, with the concentration of pension audit in two main offices in India, the risk of such erroneous payments would be minimized. It recognised that one result of such concentration might be the detection of further over-payments made in the past due to mis-interpretation or otherwise, leading however to the rectification and elimination of error for the future.

39. *Paragraphs 28, 29 and 31 of the Auditor General's letter.*—The Committee was informed that the decision to effect recoveries from the Persian Gulf Lighting Service Fund, and to make certain changes in classification, had been taken after the budget was prepared which resulted in the variations in question.

40. *Paragraph 61 (b) of the Director's Report.*—The Committee desired that the question of utilising the I. A. S. C. for the provision of supplies to the R. I. M., where the requisite articles were stocked by the former, should be further examined by the Government of India, and that, failing any such arrangement, steps should be taken by the R. I. M. to obtain more reasonable tenders in respect of direct purchases.

41. *Paragraph 64 (a) of the Director's Report.*—With reference to the Auditor General's observations regarding the want of timely notice, the Financial Adviser was requested to report the relevant dates at a subsequent

meeting, and also to find out whether the original contract in this case was given as a result of tenders (*vide* paragraph 55 of these proceedings).

42. *Paragraph 65 of the Director's report.*—The Committee observed that no satisfactory explanation of the delay in the report of the case to the District Headquarters was forthcoming, but decided that no further action was necessary in view of the general orders, the issue of which was under the consideration of the Government of India (*vide* paragraph 13). The Committee was informed that the form of agreement, referred to by the Director, had since been suitably altered.

43. *Paragraph 69 of the Director's Report.*—The Committee was informed that out of the surplus stores valued at about Rs. 15 lakhs, which remained for disposal on the 31st March 1927, the balance now left was only about Rs. 2,60,000. It considered the progress made in the disposal satisfactory.

44. *Paragraph 70 of the Director's Report.*—The Committee was told that the amount outstanding under the remittance head, according to the accounts for March 1928 Final, was only about Rs. 30,000.

45. At this stage the Committee adjourned till 12 NOON on Friday, the 10th August 1928.

Proceedings of the Fifth Meeting of the *Ad Hoc* Committee held on the 10th August 1928 at 12 noon,

PRESENT :

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| <p>(1) The Hon'ble Sir BHUPENDRA NATH MITRA, K.C.S.I.,
K.C.I.E., C.B.E.</p> <p>(2) The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S.,
Finance Secretary.</p> <p>(3) Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Army Secretary.</p> <p>(4) Sir FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor-General.</p> <p>(5) Mr. A. MACLEOD, I.C.S., Financial Adviser, Military
Finance.</p> <p>(6) Colonel G. W. ROSS, D.S.O., Military Accountant
General.</p> <p>(7) Mr. A. G. BARR, O.B.E., Director of Army Audit.</p> | <p style="text-align: right;">Chairman,</p> <p style="text-align: right;">} Members,</p> <p style="text-align: right;">} Were also present.</p> |
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46. *Paragraph 3 of the Auditor General's letter.*—The Committee recognised that, owing to pressure of work in connection with the Budget, it was impossible for the Financial Adviser to produce the Appropriation Accounts for 1926-27 before the 31st of March 1928, but it hoped that, with the partial modification of the cost accounting system and the consequent simplification of the accounting arrangements, it would be possible to produce the Appropriation Accounts earlier.

47. *Paragraph 71 of the Director's Report.*—The Military Accountant-General explained that the payment of rent by the Army Canteen Board was duly demanded but the demand could not readily be enforced in view of the

financial position of the Board. Practically the whole amount had since been recovered.

48. *Paragraph 73 of the Director's report.*—With reference to item (8) in this paragraph, the Committee considered that the Military authorities should seriously take up the question of providing suitable accommodation for valuable and combustible stores, which would prevent the possibility of large losses by fire similar to the one in this case. It desired that the Financial Adviser should take adequate steps for proper stock-taking of stores of this category, and that he should report next year what steps could be taken in general or in particular to obviate the recurrence of similar calamities.

49. The Committee then turned to Section II of the report of the Auditor upon the accounts of the Secretary of State, and the Auditor General's remarks thereon.

50. *Paragraphs 1—6 of Home Auditor's report.*—The Committee examined the cases in question, and came to the conclusion that in some of them the authorities in India were responsible for the failure to make prompt recoveries from the parties concerned. It was assured that steps had been taken, which would prevent the recurrence of similar irregularities in future.

51. *Paragraph 9 of the Home Auditor's report.*—The Committee was informed that no decision had been arrived at on the question of India's claim to a share of the accumulated surplus of the National Health Insurance Fund, but it understood that it was now doubtful whether there would be a surplus of which India could obtain a share.

52. *Paragraph 10 of the Home Auditor's report.*—The Committee was told that the Secretary of State had recently decided the question of leave passage concessions referred to in this paragraph, subject to the settlement of certain details.

53. *Paragraph 19 of the Home Auditor's report.*—The Committee was informed that no agreement had yet been reached on the question of the capitulation rate.

54. At this stage the Committee adjourned till 10 A.M. on Saturday, the 11th August 1928.

Proceedings of the Fifth Meeting of the *Ad Hoc* Committee held on the 11th August 1928 at 10 a.m.

PRESENT :

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|---|---|
| (1) The Hon'ble Sir BHUPENDRA NATH MITRA, K.C.S.I.,
K.C.I.E., C.B.E., | } <i>Chairman.</i>

<i>Members.</i> |
| (2) The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S.,
Finance Secretary | |
| (3) Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Army Secretary | |

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|---|-------------------------|
| (4) Sir FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
Auditor-General. | } Were also
present. |
| (5) Mr. A. MACLEOD, I.C.S., Financial Adviser, Military
Finance. | |
| (6) Colonel G. W. ROSS, D.S.O., Military Accountant
General. | |
| (7) Mr. A. G. BARR, O.B.E., Director of Army Audit. | |

55. *Paragraph 64 (a) of the Director's report and paragraph 41 of these proceedings.*—The Financial Adviser reported that the original contract in this case was given as a result of tenders, but that he could not give the exact dates at the moment. The Committee wished to record that, where circumstances were likely to arise which might justify *ex gratia* payments to contractors, steps should be taken to give such timely notice as would tend to reduce such payments. It also held that before making *ex gratia* payments the advice of the Government Solicitor should be obtained in regard to the legal aspect of the case.

56. *Paragraph 32 of the Proceedings of the Committee of last year and paragraph 11 of these proceedings.*—The Committee examined the Master General of Supply in regard to the work of the Central Disposals Organisation. He explained that the Dum Dum Depot had been given up as unsuccessful. It was found to be a bad centre from a business point of view. The Disposals Organisation, however, remained. Articles of little or no value were being sold for what they would fetch locally, and others transferred to other public departments which might require them, or sold under agency methods of disposal with minimum prices and a share of profits. The Organisation was, on the whole, successful and instrumental in the realization of large sums of money.

57. *Paragraph 36 of the Director's report and paragraph 32 of these proceedings.*—The Committee examined the Quartermaster General on the question of the responsibility for the loss on fodder and the adequacy of the disciplinary action taken. It was informed that the Director of Audit had not at that time pressed for disciplinary action against the Supply Officer on account of his alleged lack of supervision. The case was as old as 1924, and occurred in the Waziristan area, where green khasil was supplied by Mahsuds and Wazirs. The Committee recognised that the circumstances were, to a considerable extent, abnormal and did not pursue the question further.

58. *Paragraph 25 of the Auditor General's Report and paragraph 37 of these proceedings.*—The Committee also examined the Quartermaster General on the question of the provision for conservancy charges, and understood that the additional appropriation sanctioned in 1926-27 in this connection was really intended to meet similar charges eventually recorded under a variety of heads. The total conservancy charges under all these heads together were just within the modified appropriation. The Committee was informed that the charges were now being shown under one head and no longer distributed as they used to be in the past.

59. *Paragraph 17 of the Director's report and paragraph 23 of these proceedings.*—The Committee examined the Adjutant General regarding the withdrawal of the civil suit in respect of Rs. 9,000 advanced to one of the contractors. (During the course of the examination the Chairman left the meeting on other public business, and the Hon'ble Mr. Burdon took his place.) The Committee

was informed that the contractor in question was a man of practically no means and had since absconded. As chances of recovery were nil, it was not worth while incurring the cost of a civil suit, and the withdrawal was inevitable. It was true that the case was withdrawn without technical authority, but the Committee understood that the Government of India would be prepared to confirm the action in the circumstances. At the same time, the Committee desired that the technical authority competent to sanction the withdrawal of cases once instituted should be defined to avoid misapprehension in future, unless this has already been done.

60. At this stage the Committee adjourned till 11 A.M. on Monday, the 13th August 1928.

Proceedings of the Sixth meeting of the *Ad Hoc* Committee held on the 13th August 1928 at 11 a.m.

PRESENT :

[As at the last meeting, with the exception of the Hon'ble Mr. Burdon, who was away on other public business.]

61. *Paragraph 35 of the Proceedings of the Committee of last year and paragraph 12 of these proceedings.*—The Committee had before it a statement (Annexure D), prepared by the Financial Adviser, containing a summary of the recommendations made by the Special Committee of Enquiry in this case and of the action taken thereon. With reference to the observations made in paragraph 68 of the Report of the Public Accounts Committee of last year, the Committee had the opportunity of hearing the Quartermaster-General on the question, and noted with pleasure that adequate action had been taken on the general recommendations of the Special Committee, which will reduce the possibility of losses of the kind in future. In regard to disciplinary action taken with reference to the recommendations in Chapter V of the Special Committee's Report, the Committee examined the Adjutant-General and came to the conclusion that the irregularities were the outcome of war and facilitated by the special conditions which prevailed at the time, including frequent changes in the incumbency of different appointments. It endorsed the expectation of the Public Accounts Committee that, with the return of normal conditions, cases of this nature would be considerably reduced, and did not desire at this distance of time to pursue the question of disciplinary action in regard to individual officers. At the same time, the Committee desired that the Government of India should consider the question of principle involved, *viz.*, whether in cases where lack of supervision or failure to observe regulations had led to financial loss, the final authority to settle the question of disciplinary action should be His Excellency the Commander-in-Chief or the Government of India.

ANNEXURE A.

Statement showing the action taken or proposed to be taken on the points noticed by the Departmental Committees on Army Accounts for the years 1923-24, 1924-25 and 1925-26.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
1	That it would be very convenient if a full statement could be prepared for the next <i>ad hoc</i> Committee of the various points raised by the three previous Committees and the action taken thereon in order that the work of each Committee may be linked up with that of the previous Committees and there may be a continuous record of activities of these Committees. The Financial Adviser agreed to prepare such a statement for the <i>ad hoc</i> Committee of next year.	Paragraph 2 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 182 of the Report of the Public Accounts Committee on the accounts of 1925-26). Paragraph 23 of the Proceedings of the 6th and 7th meetings of the Public Accounts Committee on the accounts of 1925-26. (Page 46 of their Report).	This is the statement.
2	That the Appropriation Report would in future be prepared by the Financial Adviser, Military Finance, and much fuller explanations would be given.	Paragraph 1 of the Proceedings of the first meeting of the Committee on the accounts of 1923-24. (Page 133 of the Report of the Public Accounts Committee on the accounts of 1923-24.)	The Appropriation Accounts of the Army, Marine and Military Engineer Services are now prepared by the Financial Adviser, Military Finance, and they have been made much fuller and more detailed explanations are furnished.
3	That the Financial Adviser, Military Finance, should take up the question of the improvements that could be made in the Military Appropriation Report so as to bring it into line with the Civil Reports.	Paragraph 2 of the Proceedings of the 1st meeting of the Committee on the accounts of 1923-24. (Page 133 of the Report of the Public Accounts Committee on the accounts of 1923-24.)	Considerable improvements have been brought about in the Military Appropriation Accounts which is now more or less in the form of the Civil Appropriation Accounts.

4 That an account exhibiting the expenditure under 48-Army by sub-heads be given in the Appropriation Reports.

5 That a statement should be given in the Appropriation Report specifying the powers of authorities competent to reapportion between sub-heads.

6. That the Committee understood that a Committee would shortly be appointed to enquire into the system of cost accounts and that they thought that one of the instructions to such a committee should be to consider whether the cost accounts could not be made simpler and to submit definite proposals as to the manner in which they should be used for purposes of control.

Paragraph 3 of the Proceedings of the 1st meeting of the Committee on the accounts of 1923-24. (Page 133 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

Paragraph 4 of the Proceedings of the 1st meeting of the Committee on the accounts of 1923-24. (Page 133 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

Paragraph 5 of the Proceedings of the first meeting of the Committee on the accounts of 1923-24. (Page 134 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

This account is now given in the 'Appropriation Accounts.

A paragraph is given in the Appropriation Accounts showing the authorities who are competent to sanction reappropriations between sub-heads. A memorandum on the theory and practice of reappropriations in the Military Services was furnished to the Public Accounts Committee on the accounts of 1925-26 which is published as Appendix XXII on page 194 of the Report of the Public Accounts Committee.

The system of cost accounts in the Army has now been radically modified in accordance with the recommendations of the Special Committee which was appointed to enquire into the efficacy of the system. The estimates of Military Services from the year 1927-28 have been greatly simplified and improved by the grouping of expenditure by heads under the authorities finally responsible for its control and all cost accounting items have been excluded. The simplification of accounts will greatly strengthen financial control and facilitate the prompter preparation of the records of progress of expenditure. (Vide also paragraph 16 of Government of India, Finance Department, Resolution No. D-1163-A., dated the 5th May 1927.)

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
7	<p>That all excesses ought to be explained and should in all cases so far as possible be regularised either by reappropriations or additional grants before the end of the year. If for any special cause an excess could not be detected and reported to Government before the end of the year, the sanction of Government should be obtained in all such cases immediately afterwards.</p>	<p>Paragraph 8 of the Proceedings of the first meeting of the Committee on the accounts of 1923-24. (Page 135 of the Report of the Public Accounts Committee on the accounts of 1923-24.)</p>	<p>All excesses are explained now in the Appropriation Accounts. Excesses known before the close of the year are regularised either by reappropriations or additional grants. Excesses which come to notice after the close of the year are also formally regularised by competent authority.</p>
8	<p>That a stock account showing the stock in hand at the beginning and at the end of the year should be given in the next Report.</p>	<p>Paragraph 14 of the Proceedings of the first meeting of the Committee on the accounts of 1923-24. (Page 136 of the Report of the Public Accounts Committee on the accounts of 1923-24.)</p>	<p>A paragraph showing the stock in hand at the beginning and the end of the year is given in the Appropriation Accounts.</p>
9	<p>That for the purpose of the accounts and of higher control the demands of the unit and the quantity supplied to it were probably more important than the consumption and that as regards the latter sufficient detailed control could be exercised by the fixing of scales and through the Stock Account of the unit being investigated by the local audit staff.</p>	<p>Paragraph 1 of the Proceedings of the second meeting of the Committee on the accounts of 1923-24. (Page 136 of the Report of the Public Accounts Committee on the accounts of 1923-24.)</p>	<p>Issues of stores to units, etc., are regulated, as far as possible, by fixed scales. The audit is also based on these scales, but under the cost accounting system, the value of articles consumed whether in excess of the authorised scales or not was charged to the unit. After the abolition of priced store accounts in consuming units as a result of the recommendations of the Special Committee on cost accounting in the Army, the main accounts of the Army do not show the</p>

value of actual consumption by units, etc. In the subsidiary account, however, all issues to units, etc., are shown against the arm of the service concerned irrespective of whether the stores were actually consumed or not. The audit is conducted with reference to sanctioned scale. The local audit officers also see that the balances of stores with units are not in excess of authorised limits and that no unauthorised articles are held on charge.

10 That the procedure of budgeting under one head and spending under another should be investigated with a view to its further limitation.

Paragraph 2 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 137 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

This procedure is followed only in exceptional cases wherein such a course is more or less unavoidable. This position was accepted by the Committee on the accounts of 1925-26, *vide* paragraph 23 of the Proceedings of the first meeting, page 185 of the Report of the Public Accounts Committee on the accounts of 1925-26. (*Vide* also paragraph 17 of Government of India, Finance Department, Resolution No. D-1163-A., dated the 5th May 1927.)

11 That the question whether in the Appropriation Accounts it was necessary to include separate columns showing the additions and modifications sanctioned by Government and other competent authorities should be considered in connection with the general question of amending the form of the Appropriation Report.

From 1925-26, the modifications sanctioned by Government or other competent authorities, reductions and additions are shown only in one column instead of in 4 separate columns as was the practice prior to 1925-26.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
12	<p>That the Financial Adviser, Military Finance should go into the question whether it would not be more economical in the long run if a little additional money could be spent on local audit at present to clear up arrears and to make it more effective.</p>	<p>Paragraph 4 of the Proceedings of the second meeting of the Committee on the accounts of 1923-24. (Page 137 of the Report of the Public Accounts Committee on the accounts of 1923-24.) Paragraph 3 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 182 of the Report of the Public Accounts Committee on the accounts of 1925-26.)</p>	<p>The local audit staff has been largely increased and the cost met from savings due to the abolition of cost accounting. No general increase in local audit officers has been made, but an extra local audit officer is employed in the Western Command from within the cadre. The work is now practically current.</p>
13	<p>That the question of the preparation of an Office Manual should be taken into serious consideration by the Financial Adviser, Military Finance.</p>	<p>Paragraph 5 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 137 of the Report of the Public Accounts Committee on the accounts of 1923-24.) Paragraph 4 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 183 of the Report of the Public Accounts Committee on the accounts of 1925-26.)</p>	<p>The preparation of the Office Manual could not be undertaken until the new form of accounts has been finally settled and some experience gained of these new accounts. The preparation of an Office Manual for the Central Pension Offices at Lahore and Mhow is, however, now well in hand and it is hoped to issue this Manual within two or three months.</p>
14	<p>That it was hoped that a further improvement would be noticeable in regard to the clearance of outstanding in suspense accounts of the Military Engineer Services.</p>	<p>Paragraph 11 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 138 of the Report of the Public Accounts Committee on the accounts of 1923-24.)</p>	<p>The outstanding in the Suspense Accounts of Military Engineer Services have been cleared.</p>

15 That the recent reorganisation of the Military Engineer Services had already improved matters and would probably result in further improvement but special measures should be taken to avoid a recurrence of irregularities which often result in loss to Government and litigation with contractors.

Paragraph 12 of the Proceedings of the second meeting of the Committee on the accounts of 1923-24. (Page 138 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

Adequate action has been taken to avoid irregularities in the M. E. S. Accounts. To help the executive officers in the correct discharge of their duties in regard to finance and accounts a new account code for M. E. S. and another book "how to obtain stores" have been published. The question of further simplifying the system of the Military Engineer Services Accounts has already been taken up and the M. E. S. Account Code is now under revision. In addition, Chief Engineers and Commanding Royal Engineers have been continually impressed with the importance of establishing effective financial control. The Engineer-in-Chief and the Finance Section are in up to date touch with the financial activities of the M. E. Services.

16 That the question whether the holdings in treasure chests could not be diminished by the opening of banking accounts or otherwise should be carefully considered.

Paragraph 15 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 138 of the Report of the Public Accounts Committee on the accounts of 1923-24.)

Instructions have been issued to all officers that as far as possible public money should be deposited in Banks to avoid theft, etc.

17 That in some cases there was a considerable lapse of time between the commission of the offence and its being brought to light, which made it difficult to apply an effective remedy and that to minimise the lapse of time the local Controller, as soon as any case of financial irregularity comes

Paragraph 16 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 138 of the Report of the Public Accounts Committee on the accounts of 1923-24.) Paragraph 5 of the Proceedings of the 1st meeting of the Committee on the accounts of 1924-

Action has been taken to ensure that all serious financial irregularities which are noticed by Controllers of Military Accounts should be reported to the F. A., M. F. as soon as they are discovered and also to provide adequate legal advice to local military authorities.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
18	<p>to his notice which seems likely to be of a serious character, should send to the F. A., M. F., a copy of the letter or questionnaire addressed by him to the local administrative authorities and inform them that he has done so and that the local military authorities should be given adequate legal advice.</p> <p>That it is desirable that the facts disclosed and the criticisms made in the periodical Audit Reports should be brought to the notice of all officers in the Army in some way which will really draw their attention and leave a strong impression on their minds.</p>	<p>25. (Page 114 of the Report of the Public Accounts Committee on the accounts of 1924-25.)</p> <p>Paragraph 23 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1923-24. (Page 139 of the Report of the Public Accounts Committee on the accounts of 1923-24.)</p>	<p>The officers of the Army are continually reminded of their responsibilities as custodians of public money and stores. The irregularities noticed and the criticisms contained in the Audit Reports are brought to the notice of administrative officers from year to year who take necessary action to prevent the recurrence of such irregularities.</p>
19	<p>That when an accidental omission occurs to communicate to the Military Accounts Department copy of an order required by them for their work, the Controllers of Military Accounts should be careful to apply for the orders of the Government of India and not for the orders of a branch of Army Headquarters.</p>	<p>Paragraph 10 of the Proceedings of the first meeting of the Committee on the accounts of 1924-25. (Page 115 of the Report of the Public Accounts Committee on the accounts of 1924-25.)</p>	<p>Necessary action has been taken to impress on Controllers of Military Accounts the necessity for obtaining Government orders when an omission occurs to communicate copy of an order required for their work.</p>

That the Foreign and Political Department should once more be asked to consider the possibility of requiring Indian States to deposit in advance the approximate cost of contribution works carried out on their behalf.

That for future Audit Reports the Auditor General should be given an opportunity of seeing the original papers containing discussions regarding the disciplinary action in order that mention might not be made unnecessarily of cases in which further disciplinary action was really impracticable or unjustifiable or both.

That the Director of Army Audit should bring to notice of the F. A., M. F., at an early stage cases of financial irregularity in which it seemed to him that the process of investigation or remedial action was being carried out inadequately and that the F. A., M. F., should, if necessary, invoke the authority of the Army Secretary, but that special care should be taken to ensure that Audit does not trench upon or relieve the responsibility of the administrative authorities.

That it might be desirable to keep a regular but simple account of the losses suffered by Government through fire with reference to the accepted policy of not insuring Government property.

Paragraph 18 of the Proceedings of the 1st meeting of the Committee on the accounts of 1924-25. (Page 116 of the Report of the P. A. C. on the accounts of 1924-25.) Paragraphs 6 and 60 of the Proceedings of the first and the 2nd meetings respectively of the Committee on the accounts of 1925-26. (Pages 183 and 191 of the Report of the Public Accounts Committee on the accounts of 1925-26.) Paragraph 19 of the Proceedings of the first meeting of the Committee on the accounts of 1924-25. (Page 116 of the Report of the P. A. C. on the accounts of 1924-25.)

Paragraph 20 of the Proceedings of the first meeting of the Committee on the accounts of 1924-25. (Pages 116-117 of the Report of the P. A. C. on the accounts of 1924-25.)

Paragraph 22 of the Proceedings of the first meeting of the Committee on the accounts of 1924-25. (Page 117 of the Report of the P. A. C. on the accounts of 1924-25.)

The Foreign and Political Department in consultation with the Army Department have decided to make no change in the existing procedure.

Whenever disciplinary action is commented upon in a draft paragraph of the Audit Report, the connected files are sent to the Auditor General.

This procedure will be acted on whenever occasion arises.

A record of write-off of losses by fire sanctioned by authorities subordinate to Government of India are now maintained by the Controllers of Military Accounts while a record of those sanctioned by Government is maintained by the Director of Army Audit.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
24	<p>Information was desired as to how the dismantled material of the Railway lay out at Jamrud which has been abandoned as a railroad owing to the construction of the Khyber Railway is to be utilised, what further expenditure was involved and how this can be adjusted.</p>	<p>Paragraph 25 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 117 of the Report of the P. A. C. on the accounts of 1924-25.)</p>	<p>The dismantled material was to be sold out, the credits being realised by the North Western Railway. The North Western Railway in its turn will build new Railway sidings at Peshawar, the net credit being given to military. The credit from the sale of the dismantled materials was higher than the cost of the sidings at Peshawar, hence no further expenditure was involved.</p>
25	<p>That no formal reappropriations from the Indian to English estimates are made and that savings are merely earmarked in India against expenditure in England. The Financial Adviser, Military Finance, was asked to examine the subject and to make definite recommendations to Government as to future procedure.</p>	<p>Paragraph 26 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 118 of the Report of the P. A. C. on the accounts of 1924-25.)</p>	<p>The question was examined and the procedure followed now was set forth in detail in paragraph 35, Section III of the Appropriation Accounts for the year 1925-26.</p>
26	<p>That a distinction should be observed between reappropriations made to cover excesses in normal expenditure elsewhere and cases in which savings were reappropriated to cover the cost of new measures which were not provided for in the estimates and that reappropriations to cover the cost of new measures should be mentioned in the annual Appropriation Accounts.</p>	<p>Paragraph 30 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Pages 118-119 of Report of the P. A. C. on the accounts of 1924-25.)</p>	<p>Orders have been issued that whenever a reappropriation is made to cover the cost of a new measure the fact should be clearly mentioned in the order sanctioning the reappropriation. Such reappropriations are now mentioned in the Appropriation Accounts. (<i>Vide</i> also paragraph 12, of Government of India, Finance Department, Resolution No. D. 1163-A., dated the 5th May 1927.)</p>

- 27 That the aviation charges in the High Commissioner's accounts were under scrutiny, the Financial Adviser, Military Finance, having protested against the overhead charges.
- 28 That the pay of a British Service officer remaining at the Staff College, Quetta, after his unit has left the Indian establishment is a charge against Imperial Government and the M. A. G. should issue instructions so that the charges may be correctly debited to the Imperial Government.
- 29 That the question of incidence of charge of R. I. M. pensions should be specially examined by the F. A., M. F., who undertook to ascertain what arrangements are now in force and whether anything further is necessary in order to secure correct adjustments.
- 30 That the accounting principle that money should not be drawn least of all at the end of the year, before the date on which it was actually disbursed should be observed.
- 31 Cases in which doubt exists whether death is attributable to military service, and in which consequently there is a doubt whether family pension is admissible or not, are, it was explained, decided by the Government of India and by no lower authority. In each case the concurrence of the Finance Department is obtained
- Paragraph 32 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 119 of the Report of the P. A. C. on the accounts of 1924-25.)
- Paragraph 33 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 119 of the Report of the P. A. C. on the accounts of 1924-25.)
- Paragraph 34 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 119 of the Report of the P. A. C. on the accounts of 1924-25.)
- Paragraph 35 of the Proceedings of the 2nd meeting of the Committee on the accounts of 1924-25. (Page 120 of the Report of the P. A. C. on the accounts of 1924-25.)
- Paragraph 38 of the Proceedings of the 3rd meeting of the Committee on the accounts of 1924-25. (Page 121 of the Report of the Public Accounts Committee on the accounts of 1924-25.)
- The question of overhead charges on aeronautical stores supplied by the Air Ministry is still under discussion.
- Instructions have been issued by the M. A. G.
- Full information in regard to the apportionment of R. I. M. pensions is available at the India Office and the Controller of Marine Accounts has reported that such information is invariably furnished by him to the India Office.
- This question was examined and as the principle is generally observed, no further action was considered necessary. The Finance Department have, however, issued general instructions in the matter.
- The general rule is that a family pension is payable from the date following that of the casualty which creates the claim. But in the case of belated and doubtful claims, the following principle is generally observed.
- If the claim to family pension has been clearly established and if the explanation

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
	<p>before the pension is granted. It was pointed out that in such cases, when the doubt is resolved, the logical course would be to grant the pension with effect from the date of the death of the person from whom the claim to pension is derived, and not from any later date. Recently a practice had arisen of adopting the less favourable date, the grant of the pension being treated more or less as an act of grace. The question has been raised whether this is a justifiable practice, and the matter is under consideration.</p>	<p>Paragraph 42 of the Proceedings of the 4th meeting of the Committee on the accounts of 1924-25. (Page 122 of the Report of the P. A. C. on the accounts of 1924-25.)</p>	<p>of the delay is satisfactory, pension should be admitted from the date following that of the casualty.</p> <p>Where a claim is admitted with benefit of the doubt or where a family pension is continued to a second heir on the death of the original heir or where a family pension is granted to a relative other than an eligible heir, the pension should begin from the date of first application locally by or on behalf of the claimant, without further retrospective effect.</p>
32	<p>That it was necessary to prepare a form for use by all Army authorities in presenting claims against Railways and a list of the appropriate officers on the various Railways to whom claims must be presented, if they are to be valid. Cases occurred in which claims preferred by Army authorities had been unsuccessful owing to delay in preliminary discussion and the claims then becoming time-barred.</p>		<p>A form has been introduced for claims against Railways which contains instructions as to how and to whom the claims are to be sent. Instructions have been issued to all military authorities to take into use this form and the system is working satisfactorily.</p>

That the question of prepayment for articles issued on payment should be considered.

Paragraph 46 of the Proceedings of the 4th meeting of the Committee on the accounts of 1924-25. (Page 123 of the Report of the P. A. C. on the accounts of 1924-25.) Paragraph 10 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 183 of the Report of the P. A. C. on the accounts of 1925-26.)

This question was fully examined. The following procedure is laid down:—

- (1) Value of issues on payment to officers and men in the Army is recovered through the pay bills.
- (2) Value of issues to other Government Departments and Indian States is debited to those Government Departments and States through Exchange Accounts (Instructions have been issued in order to avoid delays in the adjustment of the value).
- (3) Value of issues to private bodies and municipalities, etc., are recovered in cash before the articles are delivered except in the case of medical stores wherein it was contemplated by the D. G., I. M. S., that the system of prepayment could not be introduced owing to various difficulties.

That while it is no doubt economical and justifiable for Government not to insure their property, there is a fallacy in this proceeding unless at the same time Government buildings, etc., are provided with such arrangements for protection as would be insisted upon by an insurance company in the case of private buildings and that the subject should be more precisely examined by the administrative and financial authorities.

Paragraph 47 of the Proceedings of the 4th meeting of the Committee on the accounts of 1924-25. (Pages 123 and 124 of the Report of the P. A. C. on the accounts of 1924-25.)

This question was examined by the administrative and financial authorities. Owing to the prohibitive cost of adequate and reliable fire protection arrangements and in view of urgent demands for expenditure in other directions, they did not feel justified in pursuing the question for the present.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
35	<p>That the cost of a certain voyage performed by the R.I.M.S. "Dufferin" had not been claimed by the accounting department in India for credit to Indian revenues and that the matter is being investigated.</p>	<p>Paragraph 49 of the Proceedings of the 4th meeting of the Committee on the accounts of 1924-25. (Page 124 of the Report of the P. A. C. on the accounts of 1924-25.)</p>	<p>The fact of the use of "Dufferin" as a transport on this occasion was not intimated to the Controller of Marine Accounts, hence the omission to claim the cost. Existing arrangements under which the R.I.M. no longer do transport work preclude the possibility of a recurrence. Instructions are under issue impressing on administrative authorities their responsibility for Government property in their charge which was capable of earning fees for services rendered.</p>
36	<p>That certain recommendations of the 2nd Innes Committee have been given effect to while others are still under consideration.</p>	<p>Paragraph 13 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 183 of the Report of the P. A. C. on the accounts of 1925-26.)</p>	<p>No final decisions have been arrived at on some of the recommendations. The Report as a whole is still to be placed before the Military Council. Some of the recommendations have to be considered in the light of recommendations made by Mr. Heseltine. These latter are under consideration.</p>
37	<p>That the Military Budget was in essence a net grant and that it encouraged economy and kept the net Budget grant from year to year for the present at a steady level as the reappropriation from savings to new and optional expenditure tended to obviate any increase in the net grant of the following year. This arrangement was intended, however, to be only temporary.</p>	<p>Paragraph 21 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 184 of the Report of the P. A. C. on the accounts of 1925-26.)</p>	<p>In paragraph 18 of the Finance Department Resolution No. D.-3546-A., dated 5th January 1928, the Governor General in Council has agreed to view for the present the Military Budget as a net grant.</p>

- 38 That prompt and thorough local inspections are a necessity.
- 39 This has been fully recognised and the M. A. G. is keeping a careful watch on the progress and efficiency of local inspections.
- 40 This rule is generally followed. Only in exceptional cases is use made of the suspense head. The use of the suspense head to hide the true nature of the expenditure is discountenanced.
- 41 The suggestion of the Committee has been noted and the exact extent to which each cause has contributed towards excess or saving is now indicated as far as possible in the Appropriation Accounts.
- 42 The budget estimates are framed so that they may agree closely to the actual results of the year. All expenditure which it is known will be adjusted in the accounts of the year is taken into consideration when preparing the estimates. Particular care is taken to see that estimates follow accounts. Adjustments which come to light in the course of the year are provided for in the periodical estimates and the grants modified accordingly.
- 43 The vocabulary rates are now worked out on the basis of 1s. 6d. per rupee.
- Paragraph 31 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 135 of the Report of the P. A. C. on the accounts of 1925-26.)
- Paragraph 41 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 136 of the Report of the P. A. C. on the accounts of 1925-26.)
- Paragraph 42 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Pages 136 and 137 of the Report of the Public Accounts Committee on the accounts of 1925-26.)
- Paragraph 45 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 137 of the Report of the P. A. C. on the accounts of 1925-26.)
- Paragraph 47 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 137 of the Report of the P. A. C. on the accounts of 1925-26.)
- That Accounting officers should always account in accordance with facts and that the use of suspense accounts should be avoided as far as possible.
- That when explanations are given in the Appropriation Accounts for the increases it would be convenient if the exact extent to which each of the causes contributed to the excess is also indicated.
- That the budget estimates should conform more closely to actuals in respect of any adjustments which may be made in the course of the year.
- That the vocabulary prices should be based upon the exchange rate of 1s. 6d. except in cases where meticulous accuracy was necessary.

No.	Recommendations or observations made by the Departmental Committee.	Reference to Proceedings of the Committee.	Action taken or proposed to be taken on points noticed.
43	That it was most undesirable to attempt to rush works through at the close of the year simply in order to utilize available funds. Such a procedure almost inevitably results in bad work and waste of money.	Paragraph 49 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 187 of the Report of the P. A. C. on the accounts of 1925-26.)	Necessary action has been taken to prevent rush of expenditure at the close of the year.
44	That the question how far the Army authorities as a whole would automatically act upon any general orders or a resolution issued by the Finance Department and whether it was necessary that such general orders should be reaffirmed by the F. A. should be considered.	Paragraph 50 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 188 of the Report of the P. A. C. on the accounts of 1925-26.)	Any general orders applicable to all Departments of the Government of India issued by the Finance Department are ordinarily applicable to the Army Department and a reaffirmation by the F. A., M. F., is not necessary. The F. A. will watch whether the provisions are given effect to or not.
45	That the F. A., M. F., should examine the question of further dividing the Army grant to several separate grant heads so that reappropriations between two grant heads the provision under which are for two separate purposes may not be effected and estimates may be prepared more accurately.	Clause 2 of paragraph 51 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 188 of the Report of the Public Accounts Committee on the accounts of 1925-26.)	The question of further subdivision of the Army grant was considered and it was decided in consultation with Finance Department not to do it as it would not lead to any advantage. The Governor General in Council has decided that for the present the Military Services grant should be viewed as a net grant and that full facility should be given to Army authorities to reappropriate savings to ensure an even provision for Military expenditure from year to year. The principle

of budgeting correctly with reference to requirements then known is followed and it is only when unforeseen circumstances upset the Budget anticipations that reappropriations are sanctioned.

The India Office and the High Commissioner are furnishing details of the more important cases noticed by the Auditor, India Office. This information is ordinarily sufficient to identify the cases. If, however, in any case the details are wanting, they are obtained from the India Office. It was therefore, considered unnecessary to address the Auditor on this point.

Paragraph 52 of the Proceedings of the first meeting of the Committee on the accounts of 1925-26. (Page 188 of the Report of the P. A. C. on the accounts of 1925-26.)

That the Auditor, Home Accounts, may be requested to give full references in all cases so that Indian authorities may be in a position to identify the transaction and take any further action necessary.

ANNEXURE B.

Statement showing the original and the modified appropriation and actuals (Gross Expenditure, Receipts and Net Expenditure) under Military Services for the year 1926-27, and a comparison of the modified appropriation with the actuals for that year.

[In thousands of rupees.]													
		Original Appropriation.			Modified Appropriation.			Actuals.			Actuals—more—less than the modified appropriation.		
		India.	England.	Total.	India.	England.	Total.	India.	England.	Total.	India.	England.	Total.
Expenditure	..	49,53,18	9,64,61	59,17,79	50,31,13	9,98,64	60,29,77	51,01,56	9,90,08	60,91,64	+70,43	—8,56	+61,87
	..	3,90,77	39,02	4,29,79	3,93,24	39,02	4,32,26	4,57,70	36,98	4,94,68	+64,46	—2,04	+62,42
Net	..	45,62,41	9,25,59	54,88,00	46,37,89	9,59,62	55,97,51	46,43,86	9,53,10	55,96,96	+5,97	—6,52	—55

ANNEXURE C.

Statement of the measures adopted on the recommendations of the Ordnance Supply Committee.

I. Measures given effect to :—

- (a) New method of provision by means of a continuous review.
- (b) Placing of the Indian Army Ordnance Corps School on a permanent basis.
- (c) The organization of all arsenals into identical stock groups.
- (d) Clearance of old pattern armaments from arsenals to Agra Depot.
- (e) Clearance of old pattern small arms from Arsenals to Fort William Depot.
- (f) Special arrangements for 1927-28 for repair in Factories of the present accumulation of repairable rifles, machine guns, and vehicles in Arsenals.
- (g) Increase of D. A. D. O. S. and I. O. O. S.
- (h) Increase of Q. M. E. S.
- (i) The determination of Working Balances for every item of stock for the purpose of basing the normal budget figure in future.
- (j) Trial in selected arsenals of delegating store-holders' responsibility to Godown keepers.
- (k) Formation of the I. A. O. C. Accounts Committee to formulate a system of accounts for future introduction in arsenals. (The recommendations of the Committee are now under the consideration of Government.)
- (l) Reduction of arsenal working stocks of machine guns, rifles, by transference of certain quantities to Factories for central storage [See item II (d) below].

II. Measures in process of being given effect to :—

- (a) Clearance of arsenals, by despatch of surplus stocks to Disposals Dump at Dum Dum. (Dum Dum has been closed, but disposal by other means is in progress.)
- (b) Re-examination of War Maintenance Reserves, Mobilization Reserves and Special Reserves. (A full time officer is engaged on this work.)
- (c) Proposals for the permanent establishment of the Indian Army Ordnance Corps.
- (d) Reduction of arsenal working stocks of guns, and gun carriage parts, by transference of certain quantities to Factories for central storage. (It is expected that the new arrangement will come into operation from 1st April 1929.)

III. Measures not yet commenced :—

- (a) Proposals for the future permanent repair organisation in Arsenals
- (b) Formation of a touring Committee on Arsenal accommodation.

ANNEXURE D. .

General recommendations of the Special Committee and action taken thereon.

Serial No.	Recommendations.	Action taken.
1	<p><i>Defects in system.</i>—The system of divided responsibility described in Chapter II is considered to have contributed indirectly to confusion and loss. This system has already been abolished as a result of the Braithwaite Committee and no further recommendations are therefore necessary. Under the new system the main defects of the old system, which led to these losses, have been eliminated, e.g., dual responsibility, overstocking, the stocking of expensive and perishable articles, and the transfer and retransfer of supplies between depots.</p>	<p>As the Committee has stated itself, the system of divided responsibility of supply which led to confusion and loss has been abolished. The Supply Depots that at that time were not under the orders of the G. O. C. District, though at the same time the G. O. C. and his staff were responsible for all matters affecting the troops, are now placed under his orders. Stringent orders have been issued cutting down stocks of supplies and the elimination of stocks of expensive and perishable articles arrangements for which latter are made when required. The attention of all has been drawn to the necessity for restricting the transfer and retransfer of supplies between depots, the guiding principle being that stocks are now only issued direct from depots to units.</p>
2	<p><i>Local Resources.</i>—So far as available information goes, it is possible that the Army Budget has had, in the past, to pay for political reasons, as a kind of disguised subsidy, higher prices for local produce than market conditions would justify. Again, the employment of a contractor as a middle-man between the local Darbar and the S. & T. officers resulted in further increase in prices. It is, therefore, strongly recommended that local resources should be utilised to the utmost possible extent, without the intervention of a contractor, by arrangement made directly between the O. C. Chitral and the I. A. S. C. officer responsible on the one hand, and the Darbar on the other. The same principle should apply to Dir resources also, especially in grain. Negotiations must necessarily be carried out through the local Political Officer, part of whose duties is to see that the country is not compelled to supply more than the inhabitants can reasonably bear. It is further recommended that such orders be issued as will prevent, in the future, a reversion to the previously existing system, and the bearing by Army Funds of charges which are not strictly of a military character.</p>	<p>The use of a contractor for procuring local supplies in Chitral has been stopped. Arrangements are now made between the O. C. Chitral and the I. A. S. C. officer on the one hand, and the Darbar on the other hand, for the provision of local supplies at Chitral and Dir and arrangement has been recently made through the Political Officer with the Darbar for the purchase of local supplies at reasonable rates for the next five years. These rates, as verified by the C. M. A. Peshawar, are approximately half a lakh cheaper than the rates for last year and are considerably cheaper than at the time of the Chitral losses. The particular reference regarding the bearing by Army funds of charges not strictly of a military character is that the cost of local Bhoosa at that time was practically the same as that of imported Bhoosa. This has been put a stop to and local Bhoosa rates brought down to the average actual price to the local inhabitants.</p>

Serial No.	Recommendations.	Action taken.
3	It is considered unsound that contracts should be made for supplies, except kerosine oil, to be delivered in Chitral. It is recommended that such contracts for supplies from India should be for delivery at Nowshera, and that these supplies should be sent up by the maundage contractor as Government stores. All such stores should be examined in India before despatch and certified as fit for storage for the necessary maximum period. The exclusion of kerosene oils due to the excessive loss that is likely to occur if oil is sent up as Government property.	The recommendations of the Committee have been followed and, with the exception of kerosine oil, all supplies that cannot be purchased locally in Chitral are arranged for by the I. A. S. C. and delivered by that Corps at Dargai (the end of the railway system, and therefore preferable to Nowshera), whence they are sent on by the Maundage Contractor. Such stores are examined first by the Supplying Depots and again by the I. A. S. C. officer at Dargai in case of any damage on the line of rail. No contracts are now made for delivery at Chitral except in the case of kerosine oil.
4	It is recommended, as a special case, that A. T. mules in Chitral should be restricted to the standard ration articles only, except for such additions and modifications as may be ordered on veterinary grounds.	A. T. Mules are now restricted to standard ration articles, with the exception that they cannot have gram but are restricted to barley as that is locally procurable whilst gram is not and no grain could be imported from India and be cheaper than the local grain.
5	It is strongly recommended that the S. and T. establishment at Drosh should be revised, and made sufficient for its duties. It appears desirable, owing to the isolation of the station, that two I. A. S. C. officers should be included, the senior being a specially selected Captain or Major.	The S. and T. Establishment at Drosh has been revised in accordance with the Committee's recommendations and there are now two I. A. S. C. officers, the senior of which is specially selected.
6	The reduction to the lowest possible limit of Ordnance Stores to be maintained in reserve in Chitral should be considered. For these and for such other Ordnance Stores as have to be taken in from, or issued to, units during their location in Chitral, a representative of the Ordnance Department should be attached to the Supply Depot.	Ordnance stores in Chitral have been reduced and an N. C. O. of the I. A. O. C. has been in Chitral for the last two to three years and is in charge of these stores. The C. O. O., Rawalpindi Arsenal, is proceeding to Chitral this year to see whether the Ordnance Depot can be separated from the Supply Depot.
7	The investigation has shown the desirability of considering whether the terms of service of storekeepers should not be altered, with a view to bringing them under military law. Such a step should provide a greater measure of security against frauds.	At the time of the investigation it seems to have been overlooked that the Storekeepers serving in Chitral and Drosh were, by the fact of being on frontier service, liable to military law [<i>vide</i> I. A. A. 2 (1) (c) and Part V of Manual Military Law India]. All new entrants as storekeepers are now enrolled and are under the Indian Army Act. It is hoped in time to make all supply personnel amenable to military law.

Serial No.	Recommendations.	Action taken.
	<p>The certificate on the back of I. A. F. A-498 (Loss Statement) should be revised in order to—</p> <ul style="list-style-type: none"> (i) make it applicable to individuals who are not subject to military law : (ii) enable higher authorities to reopen and reconsider cases in which it is found that an error in the original assessment has occurred. 	<p>The certificate on the back of the Loss Statement I. A. F. A-498 has been revised in accordance with the Committee's recommendations.</p>
9	<p>The regulations for fixing the prices for articles issued; received or struck off should be reconsidered, and made more definite and clear; specially in regard to places lying at considerable distances from railways. For such places, e.g., Chitral, Fort Sandeman, and possibly Burma, special orders should be evolved.</p>	<p>Stock Book rate lists are now issued which fix the prices of articles as recommended and articles are issued, received or struck off at these prices, there being a separate rate for free issues and a higher rate for articles issued on payment, to cover transportation and overhead charges. In the case of Chitral special addition is made to cover the cost of carriage from Dargai to Drosh, but for other places there is only an All-India rate. The question of having District local rates is at present under consideration.</p>
10	<p>Central purchase system—Contracts.—One of the basic causes of the Drosh losses and of the majority of other losses of I. A. S. C. supplies is over-estimating or incorrect estimating of requirements of centrally purchased articles. These losses cannot occur with locally purchased articles, as these are only demanded as and when required. How far this may be due to the factor of human error, or the necessity for placing demands a considerable period ahead, or how far it is an inherent consequence of the central purchase system, is perhaps beyond the province of the Committee to enquire. The Committee is of opinion, however, that this question should be thoroughly investigated, with a view to cutting down the centrally purchased articles to an economic minimum, taking into consideration the cost of packing, the long railway leads in India, and the opportunities for peculation and wastage <i>en route</i>. This investigation should also determine whether central contracts, on an "as required" basis, for all centrally purchased articles, to be delivered on supply orders of A. Ds. S. and T. would not be advantageous to the State.</p>	<p>Central purchase articles are only those which it pays to purchase centrally in comparison with the average rate of local purchase articles. A rough estimate is made annually of the total requirements of the Army in India and A. Ds. S. and T. Districts draw against this estimate, orders for which are placed with the Director of Contracts.</p>

Serial No.	Recommendations.	Action taken.
11	Some means for marking and isolating condemned articles should be devised.	Articles of gear and equipment condemned as unserviceable must be withdrawn and stored separately under lock and key pending the receipt of disposal orders from the I. A. O. C. [Regimental Standing Orders I. A. S. C. paragraph 18 (ii)]. Stores returnable to I. A. O. C. charge as unserviceable are not marked by units with the unserviceable mark (sub-paragraph 2, paragraph 4, page 145 I. A. S. C. Training Part II and paragraph 269, Regulations for Equipment for Army in India); the I. A. O. C. arrange for the repair of all that they consider repairable and for the destruction of the remainder. Articles not returnable to the I. A. O. C. are destroyed in accordance with the orders laid down in paragraph 31, sub-paragraph 3 and paragraph 38, A. R. I., Volume V.
12	This investigation brings to notice the great cost of maintaining, and locking up reserve supplies and of losses due to deterioration as a direct result of the location of troops in Chitral. These facts bear upon the consideration of the question of the continued retention there of this isolated force.	The main cause of the great loss on supplies in Chitral was due to the fact that during the Afghan War some 4,000 Chitralis were raised and a year's supplies for these on Indian Scales of rations were maintained. When the Chitralis were suddenly disbanded, the whole of this reserve was thrown on our hands and it was uneconomical to return this to India as the cost of transport would have been about twice the value of the supplies. To obviate the possibility of a similar happening in the future arrangements have been now made by which Chitralis in future operations will be restricted to a ration which is ordinarily procurable locally, i.e., atta, ghi, dhall, salt and firewood, and no reserve of these will be kept until such time as Chitralis may be required for operations, when only two months reserve will be formed. For the Indian troops in Chitral a reserve of one year's supply of central purchase articles is laid in by the 31st of October and the troops have to rely on this until the 1st of June during which time it is difficult to send up supplies from India, owing to the passes being usually closed at this time of the year. This reserve is replenished between the months of June and October, only one month's supply of local purchase articles is maintained, this being kept up-to-date by daily or weekly deliveries.
13	It is recommended that the issue of dried fruits in Chitral should cease as soon as the present stock is exhausted and no further consignments should be sent up.	The issue of dry fruits in Chitral has been stopped.

Serial No.	Recommendations.	Action taken.
14	It is recommended that the question be considered of altering the present regulations whereunder I. A. S. C. take over rum at proof or overproof and issue at 25 per cent. underproof. This entails dilution of rum while in possession of I. A. S. C. and affords an opportunity for fraud. If rum could be taken over and issued by I. A. S. C. at the same strength this opportunity would not occur. The scales of issue and prices would have to be revised.	Rum is now issued at 5 % underproof, being received at that standard of proof from the Rum Factory, and units have to make their own arrangements for diluting it. The ration of rum now that it is issued at 5 % underproof, has been reduced for British troops from 4 ozs. to $2\frac{1}{2}$ ozs. and for Indian troops from $2\frac{1}{2}$ to 2 ozs. and prices have been revised accordingly.

Findings of the Special Committee regarding the responsibility for the losses and action taken on each of their recommendations:

Recommendations.	Officers concerned.	Action taken.
<p>(a) Captain..... has been tried by Criminal Court and acquitted on three charges. There would be little hope of a conviction on other charges.</p>	<p>..</p>	<p>(a) The question of further prosecution on other charges was considered, but it was decided not to proceed further on these lines as there was no chance of a conviction. The officer was subsequently removed from the service.</p>
<p>(b) A large number of officers is involved owing to changes in appointments, etc. One of these has been demobilised and some have retired on pension. It is for consideration by Government whether these officers should be called upon to show cause why they should not make good some of the losses for which they share responsibility.</p>	<p>(b) (1) 2 Officers Commanding Supply Depot, Droghda, and 66th Brigade Supply Section.</p> <p>(2) 11 Officers Commanding 1st Supply Depot Company, who were held responsible by the Committee, conjointly with the A. D. S. & T., for overstocking of certain articles, notably linseed and dried fruits, and one of whom was held responsible for the faulty contracts in regard to dried fruits.</p>	<p>(b) (1) Officer in charge from November 1919 to May 1920 was demobilised in 1920. The other [Captain.....referred to in (a) above] was in charge from June 1920 to March 1923. Tried by a Criminal Court on three charges but was acquitted. Was subsequently removed from service.</p> <p>(2) All cases were exhaustively examined. Those who had held the appointment for any length of time were exonerated. The cases of those who had held it for very short periods were dropped.</p>

Recommendations.	Officers concerned.	Action taken.
(1) — <i>contd.</i>	(b) (3) 6 A. D. S. & Ts., Peshawar, who were held responsible by the Committee for over-estimating and over-stocking of the Drosh Depot, and for lack of, and inadequate, inspections.	(3) A very full enquiry was made into each individual case and all were exonerated. One of the Committee's criticisms was lack of, and inadequate, inspections. Up to February 1922, however, it was no part of the duties of the A. D. S. & T. to inspect supply organisations. When this duty was imposed on him in February 1922 the officer then holding the appointment took the earliest opportunity of inspecting the Drosh Depot in July 1922. Though he did not bring to light all the irregularities which were subsequently discovered he did detect some and it was this inspection which led to the ultimate discovery of the more serious frauds and irregularities.
	(4) 9 Officers Commanding, Chitral, who were held responsible by the Committee for not having noticed the state of disorganisation which must have existed in the Chitral and Drosh depots and for lack of supervision in other directions.	(4) All 9 cases were fully examined and each officer was exonerated individually.
	(5) Controller of Military Accounts, Peshawar, who, the Committee considered, had not enforced the requisite inspection of the accounts of the Drosh Depot and should have required the submission of a loss statement regarding one of the transactions.	(5) Suitable action was taken by the M. A. G.

(6) Exonerated.

(6) Headquarters, Peshawar District, which were held responsible by the Committee for the retention for so long of an inefficient officer in charge of the Supply Depot at Drosh and partly responsible for the lack of inspection and faulty contracts made under the direction of the A. D., S. & T.

(7) 1 Inspector of S. & T., Northern Command (subsequently Deputy Director, S. & T. of the Command), who was held responsible by the Committee for not having inspected the Supply Depots at Chitral and Drosh.

(8) One Deputy Director of Stocks who was held by the Committee to be partly responsible for the despatch to Drosh of tinned meat in quantities impossible to use within the period for which it had been passed as fit for storage.

(9) 1 Controller of Contracts who was held by the Committee to be technically responsible, to some extent, for faulty contracts and supplies in excess of requirements.

(c) Case VII stands in a different category from the others. It deals with cash advances actually received and never accounted for. *It is recommended that any moneys due to Captain in the hands of the Military Accounts Department should be credited to the State, in part satisfaction of the outstanding advances, for which Captain cannot produce accounts and vouchers.*

(7) This officer's explanation was not considered entirely satisfactory. His Excellency the Commander-in-Chief considered that "he had failed in his duty" and this was communicated to him. The officer has since retired.

(8) This officer was exonerated.

(9) This officer was exonerated after full enquiry.

(c) The officer was put under stoppages at the rate of 1/3rd of his pay.

Recommendations.	Officers concerned.	Action taken.
<p>(c)—<i>could</i>. In regard to the remaining cases in which Captain is responsible a civil suit, as to the cases as a whole, might be brought against him for the losses which he has caused by his negligence. This would necessitate proof satisfactory to a Civil Court of the actual loss caused by his negligence in each case. Evidence would be difficult to collect and the degree to which his negligence had contributed to the losses would be difficult to assess.</p> <p>Even if a successful issue could reasonably be expected, it is doubtful whether sufficient could be recovered from Captain to meet the amount decreed and the cost of the suit.</p> <p><i>The Committee is of opinion that there are grounds on which to institute a civil suit against this officer, but whether, in view of other disciplinary action contemplated, it is advisable or desirable to bring this suit, is a matter for Government to decide.</i></p> <p>(d) <i>Storekeepers</i>.—There are four storekeepers who were involved in these cases. If it is considered inexpedient to sue Captain it would not be equitable to sue any of these storekeepers for losses attributable to them. It would be equally</p>	<p>.....</p>	<p>It was not considered advisable to institute a Civil suit against this officer. He was removed from the service.</p>

inadvisable to attempt to prosecute any of these individuals in a Criminal Court in view of Captain’s acquittal, even if it were possible to produce sufficient evidence at this late date. The storekeepers have also already paid considerable sums in regard to losses for which they have been held responsible.

In regard to it is recommended that he should not again be employed in Government service.

With regard to the other three Storekeepers and the Committee is of opinion, from such evidence as has been before it, that their accounts and stores were so negligently maintained, and (to say the least of it) the general conduct of their duties was so unsatisfactory, that the question of their further retention in Government service should be considered.

(d) This individual offered his resignation on being ordered to proceed to Chitral in connection with the enquiry. He was dismissed from the service.

Sums of Rs. 3,085-12-0 and Rs. 1,204-10-0 were recovered from two of these men. No action was taken against the third.

In all, the cases of no less than 31 officers (excluding the C. M. A., Peshawar and Headquarters, Peshawar District) were exhaustively examined each on its own merits. In making the examination the following special difficulties had to be contended with:—

- (a) that the root of the trouble lay as far back as 1919, when improvised arrangements had to be met during a war;
- (b) that most of the officers involved were not long enough in their various appointments even to master their jobs, much less to discover frauds which might be going on;
- (c) that before the enquiry started many of the officers criticised by the Committee had already been demobilised or had retired; and
- (d) that it was therefore inequitable to take disciplinary action only against officers still serving, especially at so long an interval after the occurrence of the losses, unless their cases specifically merited such action which in fact, it is considered, they did not.

MEWAR RESIDENCY, UDAIPUR.

